FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Soviet paddle for Reagan's canoe, Page 19

World news | Business summary

N Korea may stage Olympics events

Some events in the 1988 summer Olympics set for Seoul, South Korea, are to be offered to North Korea.

International Olympic Committee president Juan Antonio Samaranch said there would be strict conditions. The borders would have to be opened to everyone attending the games, including 10,000 expected from the news media.

The IOC is to meet this week to try to avert a possible political boycott led by North Korea. The committee, rather than Seoul, will handle negotiations with the north.

Hope for hostages

Efforts to secure the release of nine French hostages held by a pro-Khomeini group in Lebanon could be assisted by the expulsion from France at the weekend of Massoud Rajavi, leader of Iran's main opposition group.

Mr Tariq Aziz, Iraq's Foreign Minister, was due to arrive in Paris last night for urgent talks with the Chirac Government, indicating Iraqi concern at French moves to improve relations with Iran. Page 20

Taxi drivers jailed

Several Moscow taxi drivers have been jailed for up to 12 years for cheating the Soviet state out of 3.5m roubles ($4.9m) over two years by not registering passengers, a Soviet newspaper said.

Haiti poll pledge

Haitian President Henri Namphy, faced with widespread unrest and the threat of a general strike, has promised general elections for next year and appealed for calm after he said the nation was on the brink of civil war.

Cuba frees officer

Colonel Ricardo Montero Duque, the last imprisoned senior officer of the failed 1961 Bay of Pigs invasion, is back in the US after his release from a Cuban prison.

Disco bomb death

The death toll from the bombing of a West Berlin discotheque two months ago rose to three when a US solidier, Staff Sergeant James Goins, 25, died at the weekend.

Anti-nuclear riot

About 1,000 anti-nuclear demonstrators attacked police and burned barricades in Hamburg, West Germany, following clashes between police and protesters at the nearby Brokdorf nuclear power plant.

Pro-Marcos march

Police and soldiers in Manila used tear gas grenades and truncheons to disperse thousands of supporters of ousted Philippine leader Ferdinand Marcos who tried to march on the presidential palace.

Afghan rocket attack

Afghan guerrillas say they destroyed two jets and six helicopters and killed 24 Soviet troops in a recent rocket attack on a major Soviet airbase in western Afghanistan.

Middle East talks

King Hussein of Jordan is due in Washington for talks with President Reagan expected to cover stalled Middle East peace talks

Gorbachev visit

Soviet leader Mikhail Gorbachev received an informal welcome when he arrived in Budapest for talks with Hungarian leaders and a summit of the seven-nation Warsaw Pact military alliance. Page 2

Prisoner freed

One of Pakistan's longest serving political prisoners, Rasul Bakhsh Palejo, has been freed seven years after he was imprisoned for speaking at illegal meetings, according to the left-wing Awami Tehrik (People's Movement) party.

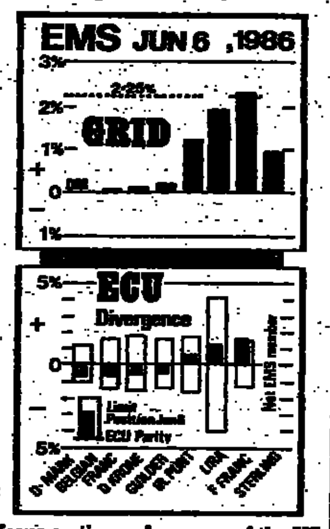
Lendl wins Open

Ivan Lendl (Czechoslovakia) beat Mikael Pernfors (Sweden) to win the French Open men's tennis title in Paris.

Jordan considers buying 40 Tornados

JORDAN is considering buying 40 Tornado fighters in a deal which could be worth £1bn ($1.5bn) to the British, German and Italian consortium, Panavia, which builds the aircraft. Page 2

EUROPEAN Monetary System: The French franc remained close to its upper intervention level against the D-Mark last week in rather featureless trading. Attention appeared to focus on the performance of the US dollar and its reaction to comments that it would probably decline over the next few months.



The D-Mark was technically one the weakest members along with the Belgian franc, Danish krone and Dutch guilder. A reduction in short-term Belgian interest rates had little effect on the franc since the discount rate was left unchanged.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Shares hit a record high with a 81.10 gain in the Nikkei market average to 16,899.01 on Saturday. Construction issues were particularly buoyant. World stock markets, Page 35

FRENCH Government pushed legislation through the National Assembly making it easier for companies to declare redundancies. Page 2

WEST GERMAN banking supervisors agreed on a new rule to take account of the "off-balance sheet" risks run by banks operating in the growing Euronote facilities market. Page 21

BRITISH GAS has lost its battle to be privatised with no debt in its balance sheet. Page 29

KENYAN President Daniel arap Moi said foreigners who want to invest in Kenya must now bring in local partners with a controlling interest.

PHILLIPS PETROLEUM, US oil major, plans to use a substantial part of the excess funds in its pension plan to reduce heavy borrowings incurred last year as part of its defence against a hostile takeover bid. Page 21

CANADIAN Prime Minister Brian Mulroney launched the strongest defence yet of his initiative to secure a free trade agreement with the US. Page 3

OIL DEMAND: International Energy Agency revised upwards estimated oil demand in the industrialised world for April to December this year. Page 3

EUROPEAN SILICON Structures joint chairman Robb Wilmot, former ICL chairman, paid £100,000 ($150,000) for a 10 per cent stake in high-technology venture-capital group Hoare Octagon. Page 6

UK: Economic forecasters in UK see little hope of any breakthrough on jobs in the next 18 months. Page 5

EEC and European Free Trade Association agreed on a simplified customs system for Western Europe from January 1 1988. Page 3

FURTHER JOINT MEASURES 'REQUIRED'

Group sees little hope for peace talks in S. Africa

BY ROBERT MAUTHNER IN LONDON AND QUENTIN PEEL IN HEEMSKERK

COMMONWEALTH leaders will be told this week that further joint measures against Pretoria may be required because a peaceful dialogue between blacks and whites in South Africa has proved impossible to arrange.

The seven-member Eminent Persons Group, set up by Commonwealth heads of government in October, has concluded that Pretoria was not disposed, at present, to embark on meaningful talks with black opposition leaders.

The group, which has made several visits to South Africa and the African "frontline" states over the past few months will set out its findings in a report expected to be sent to Commonwealth heads of government today or tomorrow.

The report is due to be discussed by Mrs Margaret Thatcher, the British Prime Minister, and six other Commonwealth leaders at a meeting in London at the beginning of August, at which Britain is expected to come under strong pressure from its partners to adopt additional economic measures against South Africa.

The British Government has so far stood virtually alone within the Commonwealth in opposing full-scale economic sanctions against South Africa though it has long imposed an embargo on arms and oil exports to the country. The main British argument has been that economic sanctions have never proved effective in producing political change and that they would harm the black population of South Africa more than the whites.

It is already clear, however, that Mrs Thatcher, faced with a negative report by the Eminent Persons' Group, will find it difficult to be as intransigent in her opposition to sanctions as she was in Nassau, when she agreed only to the ban on imports of Krugerrands.

Mr Kenneth Kaunda, President of Zambia, has already threatened to pull his country out of the Commonwealth if further sanctions – or "economic measures," as the British government prefers to call them – are not adopted by the Commonwealth.

Mr Bob Hawke, the Australian Prime Minister, who has always been in favour of sanctions, is also stepping up the pressure. In Sydney yesterday he said that he would support sanctions against South Africa unless it changes its racial discrimination policies within two months.

Even Mr David Lange, the New Zealand Prime Minister and Mrs Thatcher's main ally in Nassau in opposing comprehensive sanctions, said in London yesterday that he expected the Commonwealth heads of government would agree on such measures later this year.

Interviewed on BBC television, Mr Lange said he believed the EPG's report would be so pessimistic about the attitude of the South African Government and the possibility of further dialogue that the Commonwealth as a whole would be obliged to take action.

Pressure for additional steps against Pretoria has also been building up within the European Community though the 12 member countries are by no means unanimous on the precise course to follow.

Sir Geoffrey Howe, the British Foreign Secretary, persuaded his partners at an informal meeting in Heemskerk in the Netherlands at the weekend to wait for the publication of the EPG report before con-

Continued on Page 20

Martial law fears, Page 2

New fears on Mexico's debt as bankers meet

BY PETER MONTAGNON IN BASLE

MR Miguel Mancera, Mexico's central bank governor, has cancelled plans to attend today's annual meeting of the Bank for International Settlements in Basle.

His absence is seen as confirmation that Mexico has reached a critical turning point in efforts to deal with its $97bn foreign debt.

Mr Mancera regularly attends the BIS annual meeting, which groups top central bankers from developing as well as developed countries. This year it takes place against a backdrop of mounting unease about Mexico's problems, which is linked to central banking concern over the slow implementation of the so-called Baker Plan for easing the developing-country debt crisis.

Although officials in Mexico City have been talking of an imminent breakthrough in their long drawn-out negotiations for assistance from the International Monetary Fund, central bankers said there was as yet no confirmation from the IMF that such a breakthrough was at hand.

Meanwhile, attention is focusing on Mexico's ability to continue meeting interest payments on its foreign debt as its trade surplus falls in the wake of plunging oil prices.

Speculation that Mexico might be fast running out of dollars to service its debt led to a fall of nearly 29 per cent in the value of the peso against the dollar last week.

European central bankers said a decision by Mexico, now apparently under consideration, to start meeting interest payments only in pesos would pose serious problems for commercial bank lenders. It would force them to make some difficult decisions about how they value Mexican loans in their balance sheets.

One central banker recalled that Mexico "has been identified as a country with debts large enough to destabilise the banking system." Yet so far there has been no discussion of any bridging finance to help Mexico through its current difficulties.

Other Latin American central bankers said that at the very least commercial banks would have to reduce sharply the interest margins they charge on Mexico's rescheduled debt or even eliminate them altogether as part of any eventual rescue package.

Such a move would involve a sacrifice on the part of lenders along the lines called for by President Miguel de la Madrid. It would still avoid the more radical step of moving to below-market interest rates although bankers say it would set an unwelcome precedent which other debtor countries would seek to follow.

So far this year Mexico has managed to meet interest payments by dint of a fierce domestic monetary squeeze which has forced the private sector to repatriate funds from abroad.

Bankers believe this process may now have run its course, not least because the resulting high peso interest rates have made it hard for the Government to fund its own deficit at home.

EEC to review US 'dialogue'

BY QUENTIN PEEL IN HEEMSKERK

EEC foreign ministers yesterday ordered a review of the state of their political dialogue with Washington on the major areas of world tension, including the Middle East, Central America and southern Africa.

Concern over the possibility of Europe and the US taking conflicting positions on how to resolve regional conflicts has prompted the study, to be carried out by top national officials in the 12 member states.

It also reflects the growing frustration in European capitals at their inability to influence US policy in areas such as Central America.

Mr Hans van den Broek, the Dutch Foreign Minister and current chairman of the EEC Council of Ministers, announced the review after a wide-ranging informal meeting with his colleagues, held behind closed doors.

The whole range of EEC-US relations, covering both trade and political questions, was a major topic at the meeting in the country town of Heemskerk, outside Amsterdam. East-West relations, the Middle East, Central America and South Africa were also discussed at the meeting, which takes place twice a year.

Mr van den Broek said the ministers had agreed that their political directors in the respective foreign ministries should be asked to consider "whether it would be opportune to intensify our political dialogue with the US.

"We feel we may intensify our dialogue with the US to see where we may act in complement to each other and not counter to each other," he added.

The move followed a debate on the Middle East in which Mr van den Broek reported on the outcome of his own trip to the region, including talks with Mr Yassir Arafat, the Palestinian leader, and concluded that the Community could not usefully mediate in the present climate.

The Dutch Foreign Minister said the normal perception of Europe-US relations was within the context of the Nato alliance.

"There is more than that. Our political contacts with the US as far as we are concerned should also refer to those hotbeds of tension and conflict, those areas of the world where we feel that Europe could play a role to further the peace process, and where America is active in the same sense."

The foreign ministers did not discuss the US threat to stop complying with the Salt-2 strategic arms limitation agreement, as a question of security outside the scope of their EEC political co-operation agreement.

They did, however, consider the rising transatlantic trade tension with France in particular urging a strong and united EEC response to any unilateral US trade sanctions.

Mr Jean-Bernard Raimond, the French Foreign Minister, said there must be a "common, firm and joint position" agreed among the 12 if the US went ahead with threatened action on July 1 in retaliation for the loss of Spanish grain sales.

EEC and Efta agree, Page 3

Waldheim wins clear victory in Austrian election

By Patrick Blum in Vienna

DR KURT WALDHEIM, the former United Nations' Secretary General, won a clear victory in Austria's presidential election yesterday, despite an international controversy over his wartime past.

His victory is a sharp blow to the ruling Socialist Party. It is the first time since the Second World War that a candidate not supported by the Socialists has won the presidency. Dr Waldheim is backed by the conservative People's Party.

With 99 per cent of the votes counted, Dr Waldheim had von 53.9 per cent of the vote, almost 8 percentage points more than Dr Kurt Steyrer, his Socialist rival, with only 46.1 per cent.

Last-minute warnings by Dr Steyrer that a victory for Dr Waldheim would seriously damage Austria's international reputation were to no avail.

A jubilant Dr Waldheim said last night: "I am very happy, the result was so convincing. It encourages me to push ahead with the programme I put forward during my campaign: moral renewal, hard work, and integrity."

Dr Steyrer conceded defeat and said he was disappointed by his score.

Dr Waldheim will succeed President Rudolf Kirchschläger, who is retiring after two six-year terms of office, the maximum allowed by the constitution, on July 8.

Dr Waldheim's victory ends a bitter and divisive campaign which was dominated by allegations, which he has always denied, that he was implicated in Nazi atrocities in the Balkans.

The allegations were taken up by the World Jewish Congress and Israeli politicians, who accused him of being a liar. The controversy brought calls for Dr Waldheim to be barred entry into the US and Israel, where investigations about his past are continuing.

Britain is also looking into allegations that he may have been implicated in the disappearances of British commandos captured in the Balkans.

Dr Waldheim predicted that the controversy would die down after the election, but he may encounter difficulties when abroad, as well as face continued protests at home.

Israeli officials said this week that if Dr Waldheim was elected Israel would not replace its ambassador in Vienna, who is due to retire shortly.

His election is expected to lead to "co-habitation" problems with the Socialist-led coalition Government.

Shipyards may close as Paris plans aid cut

BY DAVID HOUSEGO IN PARIS

ONE OR MORE of France's major shipyards are likely to be closed down as the result of an expected government decision to discontinue part of its aid to the shipbuilding industry.

Mr Alain Madelin, Industry Minister, told a closed meeting of his party over the weekend that there was currently sufficient work for only one yard and not for the five in existence. He said that it was "unreasonable" for the state to go on paying out FFr 350,000 ($48,750) a year for each shipyard worker – a cost equivalent to three times their average salary.

The minister's remarks are seen as foreshadowing a government decision to refuse further cash assistance to Normed (Chantiers du Nord et de la Méditerranée), which is needed before the end of the month to help it meet its current commitments.

Normed, a private group which has been kept afloat by state aid since 1982, is one of France's two main shipbuilding companies, with yards at Dunkerque in the north and La Seyne and La Ciotat on the Mediterranean.

The blocking of fresh aid could force the company to file for bankruptcy. In the view of Mr Madelin, one of the ministers most hostile to state intervention in the economy, it would then be the company's responsibility – and not the Government's – to decide how many and which yards to close. The most vulnerable is Dunkerque, where the workload is now minimal.

A further sign that the Government is proposing to block fresh funds to Normed was the distinction Mr Madelin drew between aid linked to orders for new ships, which would continue, and cash provided to keep a group afloat.

Alsthom Atlantique, the other large French shipbuilder, with yards at Saint-Nazaire at Nantes on the west coast, has mainly benefited from subsidies linked to new orders and is unlikely to be affected. A bankruptcy petition by Normed would be accompanied by government help for those made redundant. The Government would also hope that other companies or some of Normed's own managers and engineers might be interested in taking over facilities in yards that were closed.

But yard closures would almost certainly provoke a strong reaction over job losses from trade unions, which are already protesting over planned workforce cuts in the French railways and the Paris Métro.

The issue of shipbuilding subsidies is seen as a major test of whether the conservative administration of Mr Jacques Chirac is prepared to risk unpopularity in support of its free-market principles. Subsidies to the industry will cost the state FFr 3.5bn this year, after FFr 5.3bn in 1984 and over FFr 3bn last year.

Shipping report, Page 3;
Talks with Iraq, Page 20

UK to study Soviet space mission offer

BY PETER MARSH IN LONDON

BRITAIN would study with interest any formal offer to provide an astronaut for a Soviet space mission, the Department of Trade and Industry said yesterday.

Mr Ken Warren, a Conservative MP, was told on a recent parliamentary visit to Moscow that the Soviet Union would welcome a British astronaut on a future space flight. He has written to Mr Geoffrey Pattie, the Industry Minister with responsibility for space, providing further details of the proposal.

Since 1978 the Soviet Union has taken one person from each of 11 countries – France, India and nine Comecon nations – as guests on manned space flights. Sweden has also been asked if it wants to supply astronauts, and Syria has two people preparing for a future Soviet space flight.

The guest astronauts normally stay in orbit for about a week, engaging in activities such as scientific experiments and taking photographs of the earth.

Mr Jean-Loup Chrétien, a Frenchman who went on a Soviet mission in 1982, surprised his hosts by taking along orchids and a supply of French food. Mr Rakeesh Shama, an Indian who spent 10 days in space in 1984, kept in shape in orbit by doing yoga.

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OVERSEAS NEWS

Gorbachev adopts low profile in Hungary

BY LESLIE COLLITT IN BUDAPEST

THE Soviet leader, Mr Mikhail Gorbachev, began a visit to Hungary yesterday. It was his first absence from Moscow since the Chernobyl nuclear accident, which severely tested his reputation for decisiveness.

But Mr Gorbachev appeared determined to show that Chernobyl marked only a temporarary setback for his policy of frankness at home and political initiative abroad.

The visit to Budapest is to be followed by a Summit of Warsaw Pact countries. During the next few days more details of the Soviet leader's recent disarmament proposals are expected to emerge.

Mr Gorbachev's first visit to Hungary as head of the Soviet Communist Party illustrated the no frills approach he has introduced in relations with other east bloc countries.

Mr Janos Kadar, the 74-year-old Hungarian leader, welcomed him to the airport without the usualy guard of honour, playing of national anthems, or speeches.

Scarcely a Soviet flag could be seen in the streets of Budapest, and the tens of thousands of tourists in the city from East and West were largely unaware of Mr Gorbachev's presence.

Talks between the Soviet and Hungarian leaders began in the house in the Buda Hills where Mr Gorbachev is staying. Mr Gorbachev's reformist approach to the Soviet economy has been welcomed in Hungary which was the first East European country to introduce market-oriented socialism. Hungarian officials note that Mr Gorbachev has been content to allow Hungary to continue liberalising its economy.

The Chernobyl accident was not raised by either Mr Gorbachev or Mr Kadar, according to a Hungarian spokesman. Hungary suffered an estimated $150m (£102m) in losses in farm exports after the radiation fallout from Chernobyl.

The Hungarians along with the other east Europeans, were not informed by Moscow of the extent of the fallout and accordingly did not send the usual messages of sympathy to the Soviet leadership.

Mr Gorbachev's visit to Budapest is taking place only a few months before the 30th anniversary of the Hungarian uprising which was put down by Soviet tanks.

● Gorbachev (right): No frills approach

Israel upset by US spy reports

By Andrew Whitley in Tel Aviv

THE ISRAELI Government has firmly rejected a flurry of reports over the past week that its espionage activities in the US may have been much greater than was initially admitted, following the arrest last November of Mr Jonathan Pollard, a former US naval intelligence analyst.

Mr Pollard pleaded guilty in a District of Colombia Court, last Wednesday to spying for Israel, in an elaborate plea bargaining arrangement designed to prevent a lengthy public hearing likely to produce revelations highly embarrassing to Israel.

The arrest of Mr Pollard and the subsequent disclosure that he formed part of a top secret intelligence unit, headed by a former intelligence advisor to the Israeli Prime Minister, put the normally close bilateral relations with the US under unusual strain.

Yesterday Israel was moved to express its concern over the recent "wave of unfounded pronouncements regarding the alleged involvement of the Government of Israel in arms deals and espionage activities."

A statement issued after a regular meeting of the full Cabinet, rebutted comments by Mr William Webster, the FBI Director, that Israel has not been co-operating wholeheartedly with the US investigators, as Prime Minister Shimon Peres had promised in December.

Yesterday's cabinet statement said Israel was committed to a continuation of the full co-operation it had provided over the Pollard case: co-operation said to be based on "the mutual trust between the two countries." It hoped the allegation against Israel would not continue.

A US Grand Jury is currently meeting in secret, looking into the whole question of Israeli espionage in the US raising the possibility that the Pollard case may escalate into a much larger affair, causing serious damage to US-Israel relations.

What Israel fears in particular—and may be trying to head off—is that the Pollard trial will result in prosecution being brought against other American or Israeli citizens. Four Israelis, including Gen Raphael Eitan and a serving senior air force officer, Brig Gen Aviem Sella, were named in court on Wednesday as "unindicted co-conspirators."

Jordan may buy 40 Tornado jets

By Peter Bruce in Hanover

JORDAN is considering buying 40 Tornado fighters in a deal which could be worth £1bn ($1.5bn) to the British, German and Italian consortium, Panavia, which builds the aircraft.

Panavia, it emerged yesterday, is also suggesting that Tornado production could be extended by up to 15 years from 1992 when current orders are due to expire.

The British Government, leading the Jordanian negotiations for the other partners, has been talking to Amman about a Tornado sale for four years. A final Jordanian decision is likely to be made by the end of this year, according to a Panavia official at tending the Hanover Air Show.

King Hussein of Jordan has already flown the Tornado and the prospects for a sale have been boosted by the recent US decision not to sell F16s to Jordan.

The Jordanians are interested in the air defence version of the Tornado, not its strike variant, and it is thought likely that this will make it easier for the consortium, particularly with Germany, to sell to Jordan despite inevitable Israeli objections.

The aircraft would cost about DM 50m ($18m) each to fly away, but a deal would be bound to include separate training and spares agreements.

Chances for a big Tornado export success after British-led deals to sell about 80 aircraft to Saudi Arabia and Oman, have coincided with a serious threat to negotiations on the sale of 40 Tornados to Turkey.

The British, West German and Italian governments have been unable to agree on how to help Turkey finance the purchase.

Blacks fear Pretoria may impose martial law

By Patti Waldmeir in Johannesburg

Hints that the South African Government is considering re-imposing a state of emergency or even martial law in the country have sent many black activists into hiding in anticipation of a security crackdown ahead of next week's tenth anniversary of the June 16 Soweto uprising.

Reports over the weekend in the country's Afrikaans Press, which has close links with the ruling National Party Government, spoke of the possibility that the Government may adopt wide-ranging emergency powers, or even impose martial law, to deal with country-wide mass protests planned by anti-apartheid groups to commemorate June 16, the most important day on the black political calendar. Public meetings to celebrate the anniversary of the Soweto revolt in 1976 have already been banned.

Anti-apartheid groups, which have launched a campaign of opposition to the proposed laws, argue that they would allow the Minister to declare a state of emergency in al but name — thus avoiding the international condemnation which resulted from the imposition of a state of emergency in July last year.

The multi-racial United Democratic Front is to challenge the ban on meetings this week in the Supreme Court and several anti-apartheid leaders, including Bishop Desmond Tutu and Rev Allan Boesak, have said they wil defy the restrictions.

The leaks appeared to be aimed at preparing public opinion for a wave of perhaps thousands of detentions ahead of the anniversary, which activists plan to mark with commemorative demonstrations, rallies and church services and a one-day general strike.

The threat of martial law may also be aimed at pressuring Indian and coloured members of Parliament into dropping their opposition to new security legislation now before the country's tri-cameral parliament.

Delaying tactics adopted in the Indian and coloured Houses have frustrated Government's intention of putting two new security laws on the statute books by June 16. The proposed legislation would remove judicial safeguards on some forms of security detention and enable the Minister of Law and Order to declare "unrest areas," where security forces would have wide discretionary powers.

Berlin dispute settled

East Germany will stop passport checks on diplomats at Berlin crossing points and issue them with diplomatic passes, Western officials said yesterday, Reuter reports from East Berlin. The move appeared to end a two-week dispute after the introduction of passport controls which Nato countries held to be a violation of the city's post-war status.

Cyprus protests

The Cyprus Government is making a strong protest to the United Nations over the planned visit of Mr Turgut Ozal, Turkish Prime Minister, to the Turkish-held northern part of the island, early next month, writes Andreas Hadjipapas in Cyprus.

IMF deal for Gambia

The Gambia has reached agreement with the International Monetary Fund on conditions under which the IMF will accord short-term aid to the West African state, AP reports from Banjul.

Paris eases law on worker redundancies

BY PAUL BETTS IN PARIS

THE FRENCH conservative government has pushed legislation through the National Assembly making it easier for companies to declare redundancies.

The controversial legislation is a key component of the right-wing government's economic strategy to try to stimulate investment and job creation. The Government argues that giving business greater flexibility to hire and fire workers will also encourage it to recruit more workers than in the past.

The legislation is fiercely opposed by the Socialist Party and has provoked alarm and anger in the French labour movement. The Socialist Party has tabled a censure motion against the Government to underline its opposition to the new redundancy legislation although the move is largely symbolic since it has no chance of being approved.

The extreme right National Front voted together with the neo-Gaullist RPR party and the UDF centrist coalition in favour of the bill while the Socialists and the Communists opposed it. The bill now goes to the Senate where the right also has the majority.

The legislation will allow companies to declare immediate redundances without having to seek approval from the local labour inspectorate.

The decision has been welcomed by the Patronat, the French employers confederation, but has provoked increasing militancy in the labour movement which has until now been mostly demoralised and subdued. Mr Edmond Maire, the head of the pro-Socialist CFDT union, expressed his anger at the vote and warned of the reaction the new legislation could provoke among the unions.

A protest was also staged in Paris on Saturday night by opponents of the Government's privatisation plans for France's oldest and biggest state television network TF-1. The controversy over the government's broadcasting reform is straining the already complex cohabitation between the Socialist President and right-wing government.

However, polls published at the weekend showed that a large majority of French voters appeared to be pleased with the results so far of cohabitation and would like it to continue until the scheduled date for the next presidential election in 1988.

Violence mars W. German protests against N-power

BY PETER BRUCE IN BONN

VIOLENT CLASHES between police and masked youths dominated anti-nuclear power protests in West Germany at the weekend.

Police and youth clashed at demonstrations at a newly completed reactor near Brokdorf in Schleswig-Holstein and again, at the site of a planned reprocessing plant near Wackersdorf in Bavaria on Saturday.

In Hamburg yesterday more than 200 people were arrested and several policemen were injured when protestors gathered to demonstrate against police tactics at Saturday's rallies.

The fighting appears to have been marked by the introduction of tough new police methods, particularly around Wackersdorf where a new police chief has been installed. Police, apparently much more disciplined than two weeks ago when more than 200 were hurt in clashes with the youths, have begun to use snatch squads to catch people throwing petrol bombs or attacking their lines with slingshots and catapaults.

About 50 people were arrested at the Wackersdorf site. One demonstrator lost three fingers when a thunderflash exploded in his hand.

As at Wackersdorf the demonstration at Brokdorf was apparently proceeding peacefully until about 1,500 masked youths, nicknamed *Chaoten* (chaos makers) by the German press, began attacking police vehicles. Although some 40,000 people attended the rally outside the plant, tempers had already been raised by the police who stopped thousands more from reaching the plant on Saturday by blocking the roads to it. In the ensuing fighting some 60 police were hurt and 40 people arrested.

In Hamburg yesterday about 800 youths occupied a circus ground in the city and while police managed to corner some, about 400 escaped to erect street barricades and fight running battles with police.

Aquino urged to include Communists in coalition

BY CHRIS SHERWELL, SOUTHEAST ASIA CORRESPONDENT, IN SINGAPORE

A FOUNDER member of the Philippines Communist Party has called on President Corazon Aquino to include the country's "revolutionary forces" in a coalition government in order to overcome the country's economic and political crisis.

The call came from Mr Jose Ma. Sison at a weekend seminar in Singapore on recent developments in the Philippines. Mr Sison was released from detention by Mrs Aquino shortly after she succeeded former President Ferdinand Marcos in February, following a popularly supported army rebellion.

Mr Sison, who describes himself as an "observer" of the underground Communist Party, said in an interview that the party would want the Ministry of Land Reform and other posts if it shared power with legal parties in a coalition Cabinet.

Asked why Mrs Aquino should include a party which did not help her win power, Mr Sison insisted that it was the "revolutionary forces" led by the Communist Party, which had laid the foundation for the overthrow of the Marcos regime.

Mr Sison also said that the Communist Party would never be "baited" into accepting legalisation if this meant giving up its military strength. But a cease-fire with the Government was negotiable, and this was now being studied. Government forces, he insisted, had to end their offensive.

AP reports: Mrs Aquino has said she will not run in any presidential election that might be called under a new Philippine constitution now being drafted by a 48-member commission she formed two weeks ago.

Peking to investigate clash at student dance party

BY ROBERT THOMSON IN PEKING

THE Chinese Government, severely embarrassed by the lingering consequences of conflict between Chinese and foreign students, yesterday promised to investigate a recent violent clash and punish those found guilty of "acts of racial discrimination."

Chinese students threw stones during a dance party two weeks ago held by foreign students, mostly Africans. The state education commission blamed the violence on differing cultural backgrounds, misunderstandings, and the "tendency of young people to get highly excited."

Yu Fuzeng, a spokesman, said that "unhappy incidents" with Chinese and foreign students have happened in the past, but claimed they are "rare." He believed the dance incident at Tianjin, east of Peking, did not involve racial discrimination.

China has been generous in providing scholarships to African students for study here but the 1,600 now in China often feel alienated from the Chinese, most of whom have had limited exposure to foreigners and often do not appreciate cultural differences.

Some students from poorer African countries spend up to seven years here without a visit home.

Students from about 10 African and Asian countries were involved in the Tianjin incident. Chinese students claim the trouble was started by the foreigners who pelted them with beer bottles after they complained about the noise of the party. The foreign students deny the allegations.

On the day after the incident, about 500 Chinese students protested to the Tianjin municipal government, requesting that the foreign students be punished.

The foreign students then left Tianjin for Peking, 160km away, originally trying to walk the distance, after Chinese officials refused to help them. They were eventually picked up by an Education Ministry bus.

About 10 of the students have since returned to the university, but others claim they are afraid to leave Peking, where they have been in contact with their respective embassies.

China's foreign ministry issued a statement recently claiming that the "misunderstandings" had been resolved, but clearly the matter has not been laid to rest.

On Friday about 150 foreign students, mostly African, demonstrated in Peking against what they describe as racism.

FINANCIAL TIMES

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Latin America to resist US move on IADB rules

BY PETER MONTAGNON IN BASLE

LATIN AMERICAN countries are determined to resist pressure from the US for a change in voting rules that would allow it effectively to veto new loan proposals by the Inter-American Development Bank.

The US is seeking to increase the majority required for the approval of individual loan proposals from 50 per cent of the IADB's shareholders to 65 per cent. This would be in return for support for a $19.9bn capital increase that would allow the IADB to increase its lending under the so-called Baker plan for easing the debt crisis.

Latin American central bankers attending the bank for international settlements annual meeting in Basle say such a change would have no chance of being ratified by the region's parliaments. The US has a 34.5 per cent voting share on the board of the IADB and could block loans with the support of just one other member.

As a result the role that the IADB will play in implementing the Baker plan still remains to be defined. Only with a substantial increase in capital will it be able to meet its targetted 50 per cent increase in lending to some $5bn a year.

One fear is that failure to agree a new capital increase would leave the Inter-American Bank unable to make new loans to the four largest debtors in Latin America — Argentina, Brazil, Mexico and Venezuela—reducing it to the minor role of helping only the poorer countries of the region.

Since the Inter-American Bank's annual meeting in Sanjose, Costa Rica, last March, the US has refused to modify its conditions for a capital increase.

This also includes a tightening of economic policy conditions applied to its loans so that it can embark on more sectoral programme lending rather than financing specific projects.

Further attempts to resolve the problem will be made at a meeting of the governors' committee in Paris in mid-July.

Venezuela holds out for $750m refinancing

BY OUR CORRESPONDENT IN BASLE

VENEZUELA wants to refinance all or at least the major part of the $750 (£500m) principal repayment now falling due to bank creditors under its $21.1bn rescheduling. Mr Benito Raul Losada, central bank governor said in Basle.

The refinancing would be a key part of proposals to amend the rescheduling now in preparation in Caracas, he said. The proposals, due to be presented to creditor banks shortly, could be finalised as early as the end of this week.

He said Venezuela was still willing to make the principal repayment but would seek a simultaneous fresh loan from its bankers to compensate it for the loss to its reserves.

Still uncertain is the degree to which the longer-term repayment schedule would be modified under the revised rescheduling. President Jaime Lusinchi said in April the rescheduling would have to be reviewed in the wake of falling oil prices.

So far, however, progress has been slow partly because of renewed concern among creditor banks about late interest payments by some Venezuelan state entities.

Mr Losada said these problems were purely administrative

IEA revises upwards oil demand estimate

BY RICHARD JOHNS

THE International Energy Agency (IEA) has revised upwards its estimate of oil demand in the industrialised world for the April-December period of 1986 as a result of "significantly lower product prices and increasing economic activity" compared to 1985.

Its latest projections indicate that consumption might be sufficient in the last quarter to give a demand for crude produced by members of the Organisation of Petroleum Exporting Countries (Opec) of up to 18m barrels a day—generally reckoned to be the lowest ceiling under which members can agree upon individual quotas with any hope of them being observed.

Opec output, meanwhile, has continued to run at 17.3m b/d, compared with the 16m b/d still notionally in force, according to the IEA's monthly oil market report for May. Most members are exceeding their quotas, with Kuwait, Iraq and the United Arab Emirates being mainly responsible.

The IEA notes that non-Opec supplies increased in May with higher output from Mexico and possibly Egypt while Norway's exports were resumed with the end of an industrial dispute.

Net exports from the Communist world are likely to increase by about 400,000 b/d to about 1.6m b/d in accordance with the normal seasonal pattern, according to preliminary indications.

Despite Opec's campaign to get non-member producers to restrain output, the IEA foresees supplies from other sources averaging 28.6m b/d in the second half of 1986, only marginally below the quarterly peak recorded in the July-September period of 1985.

Nevertheless, the IEA now reckons demand in the non-Communist world will average 46.2m b/d in the April-December period rising to 47.6m b/d in the last quarter. The forecasts made by the agency three months ago were 45.7m b/d and 47m b/d — with the difference wholly attributable to higher demand from member states of the Organisation for Economic Co-operation and Development (OECD).

Assuming neutral stock movements, demand for Opec crude would be 16.2m b/d in the third quarter, when a slight drawdown of inventories can be expected, and 17.7m b/d in the last quarter when a significant build-up (700,000 b/d in 1985) is probable.

Demand projections are based on current crude oil and product prices. They also take into account three other main considerations:

● Lower petrol pump prices will probably increase the average distance travelled per vehicle off-setting continued improvements in engine efficiency with the result that consumption could grow by 2-3 per cent in the OECD area over 1986.

● Diesel fuel deliveries should increase because of higher economic activity and a rise in the market share of diesel-powered vehicles. Demand for middle distillates could also be up 2-3 per cent.

● The substantial decline in heavy fuel oil demand of the last few years is expected to slow down because of greater use in dual-fired capacity for electricity generation.

Kuwait 'output 1.5m b/d'

BY OUR FOREIGN STAFF

KUWAIT IS currently producing oil at the rate of 1.5m barrels a day compared with a quota under the Organisation of Petroleum Exporting Countries' (Opec) output sharing pact of 900,000 b/d, according to the newspaper Al-Qabas.

The Kuwaiti daily yesterday said that the state was selling 150,000 b/d on the basis of long-term contracts and—apart from domestic consumption—the rest through "net-back" deals related to actual market refining and transportation costs.

Meanwhile, Dr Subroto, Indonesia's Minister of Mines and Energy, has said that higher world demand for oil should allow Opec to raise production quotas for the last quarter of 1986 at the ministerial conference scheduled to start on Brioni, the Yugoslav island, on June 25.

World Economic Indicators

RETAIL PRICES
(1980 = 100)

	Apr. 86	Mar. 86	Feb. 86	Apr. 85	% change over previous year
US	131.9	132.2	132.8	129.8	+1.6
UK	146.1	144.7	144.5	141.8	+3.0
W. Germany	120.9	121.0	121.3	121.1	−0.2
France	161.1	160.4	160.0	156.9	+2.7
Italy	200.7	200.1	199.3	188.0	+6.8
Belgium	142.4	141.9	142.1	140.3	+1.5
Netherlands	123.2	122.7	122.6	122.4	+0.6
Japan	115.0	114.6	114.9	114.0	+0.9

Source: Eurostat

Mulroney defends free trade initiative

By Bernard Simon in Toronto

CANADIAN Prime Minister Brian Mulroney has launched the strongest defence yet of his initiative to secure a free trade agreement with the US, in face of new moves in Washington to curb US imports of softwood lumber, one of Canada's most valuable exports.

In the past few days, Mr Mulroney has told business groups in Ontario and Quebec, the industrialised provinces where opposition to lower trade barriers is strongest, that he expects his 20-month-old government to be judged on the free trade initiative.

He said in London, Ontario, that no move by the Conservative Government is "more important or historically significant" than the trade negotiations which began last month.

Separately, federal and provincial governments, the lumber industry and trade unions will meet in Vancouver this week to plan their response to the US Commerce Department's decision to proceed with an inquiry into alleged subsidies on softwood lumber imports from Canada.

EEC and Efta agree joint customs system

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Economic Community (EEC) and the Geneva-based European Free Trade Association (Efta) have agreed to introduce a simplified customs system throughout Western Europe from January 1, 1988.

Agreement was reached last week in Reykjavik at a meeting of the Efta ministerial council attended by Mr Willy de Clerq, the EEC Commissioner responsible for external affairs and trade.

Negotiations will now start on ways of extending to the six Efta countries the "single administrative document," with which Brussels is proposing to replace in 1988 the complex and diverse customs formalities currently practised by the Community's 12 member states.

The agreement with Efta is a first step towards computerising customs formalities throughout Western Europe and marks a new stage in efforts to create a "dynamic European economic space" through co-operation between the EEC and Efta, Mr de Clerq said.

The talks in Reykjavik have unblocked a number of issues which civil servants have been discussing without reaching results, Mr de Clerq said. The Brussels Commission received a mandate in March for negotiating the customs document, and had been waiting for a formal commitment from all the Efta countries—Austria, Finland, Iceland, Norway, Sweden and Switzerland.

The two blocks also agreed to speed up work on simplifying rules of origin, which determine whether products can be imported free of duty, and on creating common standards. Last year, Efta agreed on principles for co-operating with Cen and Cenelec, the two main European standards institutions.

The Efta countries have been pressing for access to the Community's research and development programmes. Switzerland, Sweden and Finland have already signed framework agreements with the Community. Austria and Norway will sign up soon.

Brussels is opening up to Efta companies and research organisations, programes such as Esprit in information technology, Brite in industrial research, and Race in telecommunications.

Differences persist, however, in telecommunications, where Efta countries want the EEC to liberalise its public procurement regulations and practices. The EEC Commission has pointed out that opening up public procurement in telecommunications has not yet been realised within the Community.

SHIPPING REPORT

Encouraging rise in rates

FINANCIAL TIMES REPORTER

A STEADY level of business last week for crude oil tankers is reported by Galbraith's, the shipping brokers.

Several very large crude oil tankers in the Arabian Gulf have been fixed during the past week on a private basis, with a similar number of market fixtures.

For the 220,000 dwt the highest rate reported for an Arabian Gulf/Japan movement was Worldscale 39 — a marginal improvement on the previous week. Rates for movements to Western destinations had been equally encouraging with Worldscale 40 having been paid for a 250,000 dwt to north-west Europe.

The Mediterranean Sea had been fairly active, said Galbraith's, although the prevailing rates had softened slightly. There had been a reasonably steady flow of orders from West Africa, but rates had softened slightly.

"Owners have taken a view of the market and decided to accept lower levels in anticipation that rates will drop further," said Galbraith's.

Oil tanker boom forecast

BY ANATOLE KALETSKY

LOWER oil prices should produce a boom in the tanker market during the next few years, according to a report published today by the City University Business School.

Tanker prices could rise by as much as 300 per cent by 1988 because of the extra demand generated by the recent collapse in oil prices, while freight rates could rise even higher over a slightly longer period.

These conclusion are based on a newly developed model of the international shipping market which is unveiled in the quarterly economic review of the City University Business School. The model assumes an oil price of $12.50 per barrel in 1986, rising thereafter at the rate of world inflation. This implies that a growth rate of 6 per cent in seaborne trade in oil to 1990 and growth of 3.2 per cent after that.

The Middle East would regain its share of the oil market and the percentage of long-haul oil in seaborne trade would rise from 20 per cent in 1985 to 30 per cent in 1990 and 36 per cent in 1995.

As a result, the percentage of tanker tonnage laid up should fall from 18.4 per cent in 1986 to less than 1 per cent by 1989

Paris seeks alternative to AT&T

By Paul Betts in Paris

THE FRENCH Government is to hold talks with the heads of leading international telecommunications companies in the next few weeks to try to find alternative solutions to a landmark deal between Compagnie Generale d'Electricite (CGE), the nationalised French electronics and telecommunications group and American Telephone and Telegraph (AT & T).

The deal would give AT & T a 16 per cent share of the French public telephone switch market.

The French industry ministry confirmed in a communique that Mr Alain Madelin, the new Industry Minister, and Mr Gerard Longuet, the secretary of state for Post and Telecommunications, are planning to review all possible alternatives to the CGE-AT & T deal in coming weeks.

However, the controversial deal still appears to have the strongest chances of being approved. The proposed agreement would associate AT & T with CGCT, the troubled French nationalised telecommunications manufacturer formerly owned by ITT which currently has a 16 per cent share of the French public switch market.

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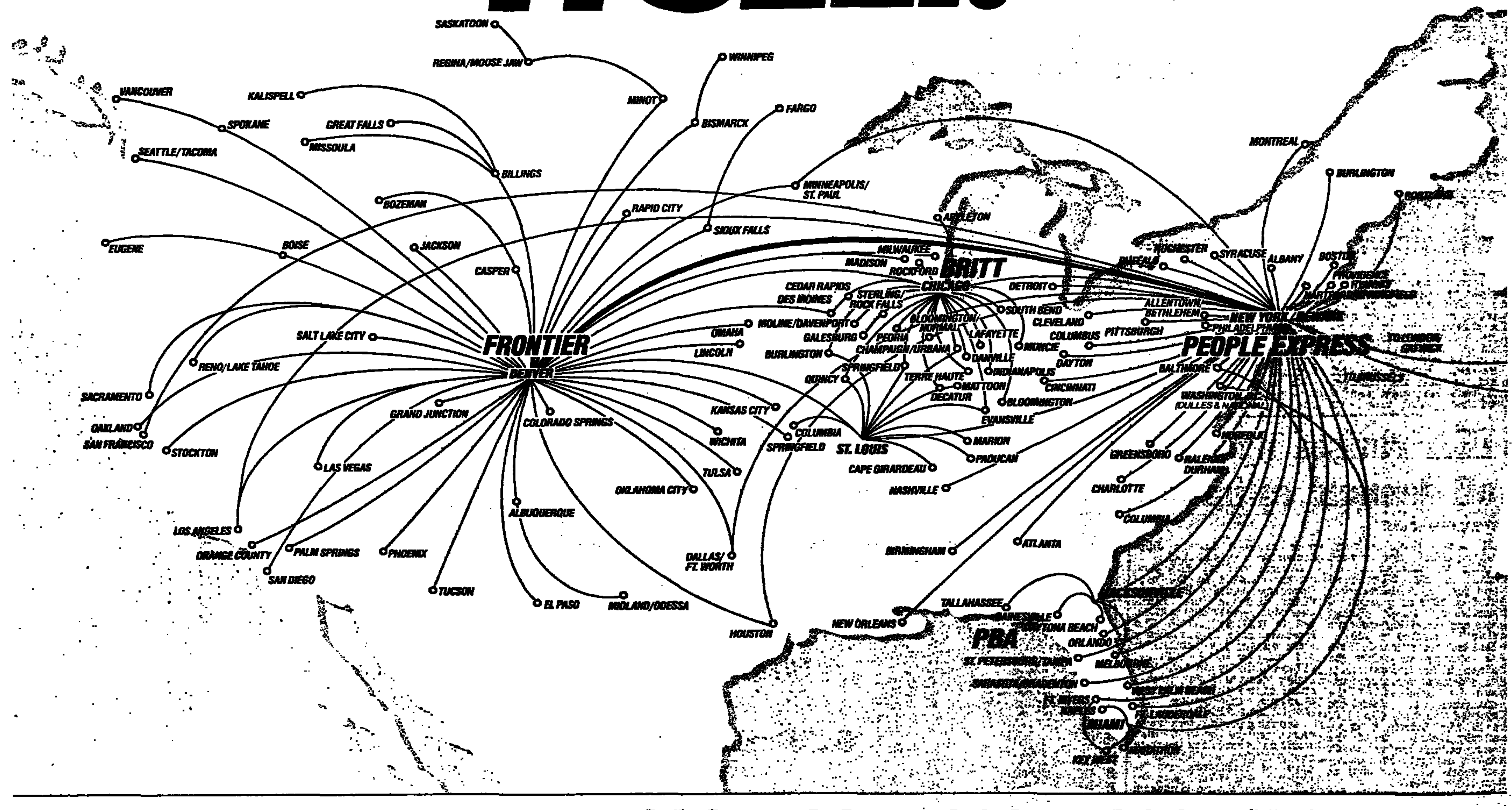

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UK NEWS

Forecasters see little hope in job prospects

BY WALTER ELLIS

ECONOMIC forecasters in the UK see little hope of any breakthrough on jobs in the next 18 months.

Growth, they say, will remain steady, at 2.5 per cent per annum – down from last year's 3.3 per cent – but with retail prices set to rise again in 1987, the battle against inflation is expected to remain the Government's top priority.

The latest Financial Times survey of economic forecasts suggests that the total number of adults unemployed this year will average 3.2m. Next year should see very little change; the FT average for 1987 is 3.1m; City of London brokers go for a repeat of 1986.

Retail prices, the forecasters believe, will end the year 3.3 per cent up on January. The London financial community says 3.0 per cent. For next year the average prediction is a rate of 3.7 per cent, with brokers opting for a higher 3.9 per cent. The Treasury, which completed its estimates in March, looks to 3.5 per cent for both years.

Agreement is widespread that prices will start to rise again significantly in 1988.

Public-sector borrowing, which the Chancellor of the Exchequer believes will remain at around £7bn ($10.50bn) per annum for the next few years, will reach £7.6bn by the end of the present financial year and £8.4bn in 1987-88, forecasters say. The City of London consensus is for £7.4bn and £8.3bn.

Interest rates, on which the Treasury declines an opinion, will, the experts say, stand at a little above 9 per cent by the autumn and somewhat under that 12 months later. Much will depend on government feelings on economic growth. Membership of the European Monetary System could also affect rates.

According to the survey, sterling itself will end this year at a 1975 indexed level of 74.5 per cent, with a decline to 72 per cent following in 1987. Again, the EMS factor, so long as it remains unresolved, cannot be discounted.

UK exports, the survey suggests, are set to rise by 2.9 per cent this year and 3.6 per cent next. On the imports front, rises of 4.2 per cent and 5.2 per cent are forecast.

Details, Page 9

Labour digs in to renew attack over Financial Services Bill

BY NICK BUNKER

FOUR DAYS of hard tactical thinking lie ahead for Mr Bryan Gould, Labour trade spokesman in the House of Commons. This week the former Oxford law don must lead his backbenchers into battle over the Financial Services Bill – on terrain where the Government now seems to hold all the high ground.

At least 14 hours of parliamentary time has been set aside on Wednesday and Thursday for the Commons report stage and third reading of the Bill – which sets out the basic legal principles and institutional framework for a new system of investor protection, based on self regulation.

In the clause-by-clause trench warfare of the Bills committee stage Mr Gould gained some ground towards his objective of an independent statutory commission to police the City of London.

During the eight weeks of debate which ended on March 25, the Government suffered three embarrassing defeats. Mr Gould joined mutinous Conversative backbench MPs Mr Anthony Nelson and Mr Tim Smith in pushing through amendments giving explicit statutory recognition and extra powers of prosecution and investigation to the Securities and Investment Board (SIB), the key body in the new regulatory regime.

Since then, Mr Michael Howard, the corporate and consumer affairs minister at the Department of Trade and Industry, has spiked Mr Gould's guns by doing a deal with Mr Nelson over the SIB's status.

The SIB will remain a private sector body beyond Treasury constraints on recruitment and resources – but it will be named in the Bill as Mr Nelson wanted and gradually given the extra powers to investigate and prosecute offenders.

Mr Gould will also have trouble this week making any progress towards his other goal – the extension of the Bill to encompass regulation of Lloyd's of London, the insurance market.

Certainly Mr Gould will table an amendment seeking to defeat Clause 40, which exempts Lloyd's from its scope. But he knows a full-scale debate on the subject may well be out of order because it has been thrashed out twice – both times to the Government's satisfaction – in the last six months.

He also knows that Mr Brian Sedgemore, Labour's secret weapon, has run out of ammunition. Mr Sedgemore made alleged City of London fraud a public issue late last year with a stream of allegations about the shortcomings of self regulation of Lloyd's

Mr Gould's only hope of getting Lloyd's into the Bill lies in the report of the Neill Inquiry, to which he and Mr Sedgemore have both given evidence. The inquiry, which was set up in January to review the workings of the 1982 Lloyd's Act, is due to report in July.

There remain three areas where the Government could still come unstuck

First, the Government last month yielded to threats of non-cooperation from the SROs and agreed to give them statutory immunity against lawsuits by aggrieved investors or investment businesses alleging civil wrongs such as negligence or defamation.

The problems here could stem from resentment by the Law Society and other professional bodies, such as the Institute of Accountancy. Under the Bill they will be empowered to regulate investment business done by their members, but are unlikely to get the SRO s statutory immunity.

Second, the Government has risked further displeasure from the professional bodies by agreeing with Mr Gould that the SIB should have powers to seek changes in their investor protection rules.

Finally, MPs in committee were united in urging the Department of Trade and Industry to press the Marketing of Investments Board Organising Committee (MIBOC), chaired by Mr Mark Weinberg, to enforce tough disclosure requirements on the sale of life assurance. There is a chance of further rebellion by some Conservative backbenchers who feel that MIBOC's proposals are inadequate.

Checks on auditing, Page 7

Sogat faces conflict on Wapping tactics

BY HELEN HAGUE, LABOUR STAFF

CONFLICT between London branches of the print union Sogat 82 and the union's national leadership on future strategy in the 20-week-old News International dispute is set to dominate the union's conference in Scarborough, Yorkshire, this week.

The union's national executive has submitted an emergency motion for debate at conference in the wake of sacked members' rejection of the company's "final" offer of £50m compensation and printing presses and office space for a Labour movement newspaper.

The motion tacitly rejects any strategy which would jeopardise the union's future financial independence. It makes no reference to the union's claims for jobs and recognition at the company's plant in Wapping, east London, and in Glasgow. It puts forward no new major initiatives in the wake of the members' rejection by secret ballot of the company's offer – but it presses instead for the Trades Union Congress (TUC) to continue to press for a negotiated settlement to the dispute.

London branches representing the union's sacked News International members are seeking to win conference support for a major escalation of the dispute, now that it has entered a new era after sacked members voted by 2,081 to 1,415 to reject the offer and for increased picketing and demonstrations at Wapping.

A motion from London clerical branch calls on the national leadership to campaign for the expulsion of the electricians' union EEPTU from the TUC unless the union instructs its members not to cross picket lines at News International plants and ceases recruitment for the company.

It also calls for full dispute benefit to be paid for a further 20 weeks to all News International sacked Sogat members.

The London machine branch has tabled a motion condeming the national leadership for purging its contempt of court and criticising the handling of the dispute to date. Ms Brenda Dean, the union's general secretary, said last night that if criticism was forthcoming "it would be answered."

Rift on defence policy 'may damage Alliance'

BY PETER RIDDELL, POLITICAL EDITOR

THE PROSPECTS of the Social Democratic and Liberal Alliance could be seriously damaged at the next general election if the current disagreement over nuclear defence policy continues until then, Mr David Steel, the Liberal leader, and Mrs Shirley Williams, the president of the Social Democratic Party, admitted yesterday.

Mr Steel said that without an agreed line it would be "pretty close to the end of the world" and would make life for candidates "extremely difficult."

Similarly, Mrs Williams conceded it would be damaging if the debate ran up to the next election, but she saw no reason why it should not be resolved long before that.

This is the most serious public row in the Alliance since its formation in 1981.

The immediate issue is the report of a joint Alliance commission of experts and leading party figures, due to be published on Wednesday. It will recommend that a decision on a replacement for Polaris submarine-based missiles, and what form it should take should be made later, after an election, depending on international developments

Dr David Owen, the SDP leader, has annoyed other SDP leaders, as well as senior Liberals, by publicly rejecting this formula. He is insisting upon the retention of a British nuclear capability, including the replacement of Polaris, unless there are deep cuts in Soviet and US missile warheads.

Japanese cars 'barred by third of fleet buyers'

BY JOHN GRIFFITHS

ONE BRITISH company in three operates an embargo against the purchase of Japanese cars, according to a survey carried out by Herondrive, the vehicle fleet management and leasing subsidiary of Mr Gerald Ronson's Heron Corporation.

Some 38 per cent also operate a "buy British" policy, although there is a great deal of confusion over the true origin of some cars, the survey has found. Twenty-six per cent are also ready to include European cars in their purchases.

· Cars from Eastern Europe and Third World countries are not considered at all.

Herondrive concludes that the survey, which covered 50 companies running a total of 35,243 cars, should be seen as encouraging for Austin Rover. Even in the case of its Honda-based cars, such as the Rover 200 series, all the surveyed companies perceive them to be wholly British.

The companies had some difficulty in classifying both General Motors' Vauxhall/Opel operations and Ford. The two multinationals were classed as European by 52 per cent, as British by 38 per cent and as British and European by 8 per cent. Some 2 per cent regarded them as American.

This shows, concludes the survey, that there is a continuing need for Ford and GM to emphasise their involvement in the UK.

"The strength of their UK branding and low perception of the internationalisation of component supply makes it feasible for them to align themselves more closely to Austin Rover as British products."

A possible source of worry for Peugeot Talbot is that despite Peugeot 309s being built in the UK, many with British engines and transmissions, only 42 per cent of the surveyed companies saw them as British. The survey found 32 per cent to consider the cars to be French, 18 per cent Anglo-French, with 8 per cent "don't knows."

The survey indicates that it is Nissan – whose UK cars assembly plant goes on stream next month – which may have most to worry about. Nissan intends to go to full production in the UK of at least 100,000 units a year, in addition to its direct imports. It envisages taking 10 per cent of the UK market, compared with 6 per cent now and must win over business car users to achieve this.

Herondrive Country of Origin Survey. Richard Seth—Smith Communications. Mimosa House, 309 Fulham Road, London SW6 5HE.

Former ICL chief buys Hoare stake

BY WILLIAM DAWKINS

MR ROBB WILMOT, former chairman of the British computer company ICL, has paid £100,000 for a 10 per cent stake in the high technology venture capital group, Hoare Octagon.

Mr Wilmot resigned as ICL's non-executive chairman at the end of last year to concentrate on running the newly formed European Silicon Structures, the pan-European microchip start-up venture of which he is joint chairman.

He becomes a non-executive board member of Hoare Octagon, a joint venture set up two years ago between stockbrokers Hoare Govett and Mr Alex Reid, a former senior manager at British Telecom and one-time chairman of Acorn, the troubled computer group.

Hoare Octagon manages two funds under the Business Expansion Scheme (BES), which permits private investors to claim tax relief for the cost of buying shares in unquoted ventures. Since its formation Hoare Octagon has put £3.7m into a total of 25 companies.

"Although the established venture capital world is doing an effective job, it is leaving a huge gap in the economic process. It does not cope with high growth enterprises in the very early stages of growth. So I am putting my money where my mouth is," Mr Wilmot said.

BES funds typically invest much smaller sums than the £290,000 average for venture capital.

"The BES is a tremendous opportunity which has been screwed up by circumstances," Mr Wilmot said, referring to the scheme's exploitation by asset-rich ventures capable of raising equity from fully commercial sources.

He estimated that less than a fifth of the cash raised under the BES has gone into "genuine high growth enterprises."

Mr Wilmot said Hoare Octagon fitted his own philosophy of attempting to identify high growth embryos of big companies of the future rather than just investing in small businesses for their own sake.

The group follows a US style of venture capital investment, trying to build trading links between portfolio companies.

City company started by Hambro family

By David Lascelles

AN INVESTMENT company, J. O. Hambro & Co, has been set up by the branch of the Hambro family that recently left Hambros Bank and sold most of its stake.

The chairman of the company will be Mr Jocelyn Hambro, the former president of Hambros, who will also have a small stake in the concern. The chief owners will be his three sons Rupert, Richard and James. The company's authorised capital will be £25m, with £5m paid up.

Mr Rupert Hambro, who was formerly chief executive of Hambros, said the aim of the new company was to offer specialist skills and objective advice at a time when the changes in the City of London were producing large, often impersonal, financial groupings.

"The main aim is to use our name and capital to back what we foresee to be the fall-out from the Big Bang," he said. "We want to be able to take the long view, over 10 years, rather than react to short-term changes."

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UK NEWS

Treasury seeks savings through efficiency drive

BY PETER RIDDELL, POLITICAL EDITOR

THE TREASURY intends to seek sizeable savings in major public expenditure programmes through increased efficiency and improved value for money.

A search for savings in some programmes to enable a shift in priorities, permitting higher spending on education, health and housing, is expected to form a central theme of Treasury discussions with other Whitehall departments during the coming round of expenditure decisions.

This emphasis was signalled over the weekend in a party speech by Mr John MacGregor, the Chief Secretary to the Treasury.

Noting recent newspaper headlines about huge bids for public expenditure, he said, "Controlling public expenditure means getting the numbers right, but equally it means getting value for money. We shall be attaching every bit as much importance to both in the forthcoming expenditure round."

Mr MacGregor stressed the "substantial savings" achieved in the health service, defence and roads from better management and competitive tendering.

His view means that the Treasury will be pressing a number of departments to see whether some of their bids for increased spending, and even some of their existing planned expenditure, can be reduced through efficiency savings.

The differences within the Cabinet about the balance between direct tax cuts and higher spending on public services were yesterday seized upon by Mr Roy Hattersley, Labour's Shadow Chancellor of the Exchequer.

In a statement yesterday, he said the issue was "not just tax cuts versus jobs. It is tax cuts versus a decent health service, sewers that work and roads that are repaired, a safe clean environment, a decent pension and a genuine assault on the rising level of crime.

"If the Tories say that they can afford nearly £5bn for tax cuts that disproportionately benefit the rich rather than ordinary men and women, they cannot also say that there is no money for public investment and improved services," Mr Hattersley argued.

Checks on auditing proposed

BY BARRY RILEY

THE INSTITUTE of Chartered Accountants in England and Wales is to consider setting up procedures for quality reviews of the accounts of listed companies.

For the first time, the institute may take the initiative in seeking out accounts which fail to follow laid down accounting standards and disciplining the member firms of chartered accountants which have audited them.

The proposals are a response to the pressures on the accountancy bodies – of which the English institute is the largest – to become more effective self-regulatory organisations.

Already the accountancy bodies are being required by the Securities and Investments Board, the top watchdog body being set up under new financial services legislation, to tighten their procedures if they are to be licensed to authorise their members to carry on investment-related business.

Auditing is not affected by the Financial Services Bill but nevertheless, in a changing regulatory climate, the question is being raised whether the accountancy bodies have been effective enough in regulating the quality of company accounts.

At present, there are no routine checks by the accountancy bodies on company accounts. Disciplinary procedures are only invoked when public controversy has been aroused.

But according to one English institute official, the accountants are now debating whether they should implement "a fundamental change of philosophy." This would be to switch from the existing reactive attitude to a positive or "proactive" approach.

Seamen's union leader to switch post

BY DAVID THOMAS, LABOUR STAFF

THE NATIONAL Union of Seamen is to create a special post for Mr Jim Slater, the union's general secretary, following an NUS conference vote last week which means he will lose his present position – the first union leader to do so because of the Government's labour laws.

The NUS executive, meeting at the weekend, confirmed that Mr Slater would lose his job after a decision by the union's conference to reject a proposal depriving him of a vote on the executive.

Under the 1984 Trade Union Act, all voting executive members must be elected by individual membership ballot at least once every five years – but under union rules prohibiting candidates over 60 standing for general secretary, Mr Slater cannot contest the election because he is 62.

In future, the NUS is to elect its top officials every five years – the first union to do so because of the 1984 Act.

The NUS executive is to create the post of full-time president for Mr Slater, which will be abolished when he retires.

Mr Slater – recently identified with campaigns against the dumping of nuclear waste at sea, and South Africa – will concentrate on environmental and international problems.

Industrial issues will be handled by the new general secretary, who will be elected by NUS members in a ballot to begin on July 21 and be completed by October 21.

Mr Sam McCluskie, assistant general secretary, who has said he will stand, is the clear favourite.

Mr McCluskie, who is also treasurer of the Labour Party, is identified with the centre left of the labour movement. He is a close supporter of Mr Neil Kinnock.

Opposition steps up education campaign

By Our Political Editor

THE LABOUR PARTY is today intensifying its attack on the Government's education policy on the eve of the first major statement of views by Mr Kenneth Baker, the new Education Secretary.

Mr Baker is due to answer education questions in the House of Commons and to open the second reading debate on the Education Bill, both tomorrow.

More than 670 people, including 70 professors, have signed an advertisement appearing in the national press today expressing support for a Labour campaign for higher education and warning that cuts will "perpetuate economic decline and social divisions."

The signatories are supporters of a group organised by Mr Giles Radice, Labour's education spokesman, called Higher Education for the Labour Party, which he claims is attracting "unprecendented support from those professionally concerned with education." The advertisement is a prelude to a special Labour conference on higher education in Birmingham this Friday.

The Government is this morning also accused of "political schizophrenia" over the level of local authority spending on education by Mr Jack Straw, a Labour environment spokesman, in a letter to the Prime Minister.

Mr Straw says an increase in spending per pupil in the past few years has only occurred because education authorities, many of which are Labour run, have "overspent" above government targets.

He argues in the letter that, on the basis of official figures, the Government had planned major cuts in education spending – by 3.8 per cent per pupil in real terms between 1980-81 and 1985-86 – but that local authorities' had in the event risen by 7.9 per cent per pupil.

Mr Straw maintains that, if the Government objective had been achieved expenditure per pupil would be now 9 per cent less in real terms than it turned out to be in 1985-86.


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UK NEWS

APPOINTMENTS

Walter Ellis looks at the latest prediction for the UK economy

Opec in retreat still has power to shock forecasters

THE Organisation of Petroleum Exporting Countries' capacity in the 1970s to shock has not yet vanished. Economic forecasters in the first half of this year have suddenly had to take account not just of a slide in oil prices but of their precipitous collapse.

Last November, the Treasury was looking ahead to a UK balance of payments current account surplus for 1986 of £4bn. By the time of the Chancellor's Financial Statement and Budget Report in March — published when the sharp decline in oil prices still had some way to go—this had *been revised down to £3.5bn.*

Other analysts, publishing in December, were less bullish than the Government and, on average, foresaw a positive balance for this year of £2.5bn. City brokers, collectively more cautious still, pencilled in just £1.8bn.

Now, following assessment of

Walter Ellis looks at the latest predictions for the UK economy

the latest forecasts, the full extent of the discounting for oil has become apparent. The Financial Times average of 25 forecasts, including that of the Treasury, yields a current account surplus for 1986 of just £2.1bn, with brokers opting, on average, for £1.6bn.

Unfortunately for the Treasury, the City's estimates for the year *have so far been holding* up best. The revised first quarter estimates on the balance of payments, published last week, show a surplus of £528m — down nearly £300m on the provisional figure.

The outlook for Britain's gross domestic product has remained more stable. The overall expectation is for 2.5 per cent growth this year — up from last December's forecast average of 2.3 per cent — followed by a further 2.5 per cent in 1987.

At the Treasury, at least as far as the short term is concerned, dynamic optimism continues to prevail: 1986 GDP growth is set at 3.0 per cent.

The Government and its officials do fall into line for next year, precisely matching the 2.5 per cent consensus, but do so on the annualisation of a first half projection.

Different measures (as reflected in the footnotes to the table) can, of course explain certain differences, but not all.

A somewhat maverick view on GDP is taken by Liverpool University, which forecasts a rise of 3.5 per cent this year followed next year by 3.1 per cent (Liverpool also sees current account surpluses of £4.9bn and £5.5bn).

Brokers Goldman Sachs — whose senior economists are defectors from Simon & Coates —and the National Institute both expect 1.9 per cent growth this year, but whereas Goldman sees a charge towards 3.1 per cent next year, the National *Institute* can only manage 1.7 per cent.

Near unanimity is expressed on UK inflation rates. The averages of the 1986 and 1987 forecasts, based on the retail price index, are 3.3 per cent and 3.7 per cent. The Treasury plumps for a rounded 3.5 per cent in each case; the City goes for 3.0 *per cent and 3.9* per cent. Most agree that the downward trend of the last year will come under pressure in 1987 and beyond.

Forecasts of the rate of unemployment also produce uniformity. A static dole queue of around 3.2m is the best guess of most economists for this year, with perhaps a very small improvement in 1987.

No one is convinced that a reduction in the numbers out of work is likely to be a top priority for the Government as it heads towards the next general election.

Economists differ quite sharply from the Government on the question of the public sector borrowing requirement, although it must be pointed out that most of the independent analysts produced their forecasts after the Treasury estimates in March.

Official Government thinking is that the *PSBRs for* this year and next will be around the £7bn mark, while the FT average and City consensus settle at closer to £7.5bn and £8.5bn.

Several brokers expect a PSBR of above £9bn in 1987; the Henley Forecasting Centre leads the pack, with £10.9bn.

Trade forecasts show the Treasury in bullish mood for 1986, but then seemingly losing its nerve for 1987. The forecast increases in exports for the two years of 5.0 per cent and 3.0 per cent respectively are ill-matched by the FT averages of 2.9 per cent and 3.6 per cent.

Brokers illustrate this reversal of expectations even more clearly, seeing a rise in exports of 2.4 per cent this year and 3.8 per cent in 1987.

Interest rates are notoriously difficult to get right. There is fairly widespread agreement, nevertheless, on three-month interbank rates in the fourth quarter of this year of between 9 per cent and 9.5 per cent and about 9 per cent for October-December, 1987.

Sterling — another teaser for economists — is given an average index reference of just under 75.0 for this year and 72.0 for 1987. The Treasury steers clear of estimates for either.

FORECASTS FOR THE UK ECONOMY

(Percentage change from 12 months earlier unless otherwise stated)

	Date	Gross Domestic Product* 1986	GDP* 1987	Consumer Spending 1986	Consumer Spending 1987	Exports 1986	Exports 1987
Treasury	March	3.0	2.5	4.0	4.0	5.0	3.0
OECD	May	3.0	2.3	3.8	3.5	4.3	2.0
National Institute	May	1.9	1.7	3.1	3.0	0.7	2.4
London Business School	Feb	2.4	2.9	3.2	4.2	4.4	3.3
Confederation of British Industry	April	2.4	2.8	4.0	4.0	4.6	5.9
Cambridge Econometrics	May	2.1	2.1	3.5	2.8	3.2	2.2
Oxford Economic Forecasting	May	2.4	2.2	3.7	3.3	2.2	4.1
Liverpool University	June	3.5	3.1	3.6	3.8		
Society of Business Economists	May	2.8	2.5	4.2	3.6	3.1	3.6
Henley Centre	May	2.2	2.2	3.0	2.1	3.7	3.8
Item Club	April	2.2	1.7	3.5	4.8	3.4	2.5
Staniland Hall	April	2.8	2.9	3.8	3.8	4.1	3.9
Data Resources Incorporated	April	2.3	2.3	3.0	2.9	2.6	3.8
Phillips and Drew	June	2.1	2.3	3.1	3.8	1.6	2.5
Midland	May	2.5	2.9	3.2	3.2	2.6	3.6
James Capel	May	2.0	1.7	3.7	3.6	1.2	2.4
Hoare Govett	June	3.2	3.1	3.2	4.5	3.9	5.3
Laing and Cruickshank	May	2.7	2.4	4.1	4.5	2.8	3.8
de Zoete and Bevan	May	2.8	3.0	3.0	3.5	3.0	7.0
Kleinwort Grieveson	May	3.0	2.5	3.5	3.3	2.9	3.5
Wood Mackenzie	May	2.3	3.0	3.1	3.5	2.2	5.0
Capel-Cure Myers	May	2.4	2.6	3.6	3.2	3.0	3.0
Rowe and Pitman	May	2.0	1.8	3.5	2.4	1.5	2.2
Goldman Sachs	May	1.9	3.1	3.5	3.6	2.6	3.2
Scrimgeour Vickers	June	2.6	2.1	4.1	3.4	1.7	3.6
FT Average		2.5	2.5	3.5	3.5	2.9	3.6
City Consensus		2.4	2.5	3.5	3.5	2.4	3.8

	Imports 1986	Imports 1987	Retail Prices 4th qtr† 1986	Retail Prices 1987	Unemployment (adults) 4th qtr‡ 1986	Unemployment 1987	Balance of Payments Current Account§ £bn 1986	Current Account 1987	Public Sector Borrowing Requirement(£bn) Financial year ending April 1986	PSBR 1987	Interest rates (3-month interbank 4th qtr.)‖ 1986	Interest rates 1987	Sterling Index (1975=100)¶ 1986	Sterling Index 1987
Treasury	6.0		3.5	3.5			3.5	1.5	7.1	7.0				
OECD	5.0	5.3	4.0	3.8			2.7	−0.5						
National Institute	2.3	4.7	2.8	3.5	3.1	2.9	1.4	−2.2	6.7	9.6	9.50	9.1	75.2	75.1
London Business School	5.0	5.3	3.6	2.3	3.1	2.9	3.5	0.5	9.1	8.1	11.0	9.0	74.0	73.0
Confederation of British Industry	6.0	6.1	3.5	3.6	3.1	3.0	0.9	2.0	6.7					
Cambridge Econometrics	5.3	3.8	3.9	3.4	3.2	3.2	1.9	−3.2	9.1	8.9			74.9	72.1
Oxford Economic Forecasting	3.7	5.9	3.4	4.1	3.2	3.1	1.7	−1.2	7.5	8.9	10.4	8.6	73.9	70.4
Liverpool University			3.8	2.8	3.1	3.0	4.9	5.5	7.7	7.7	9.3	7.2	77.2	76.6
Society of Business Economists	4.2	5.0	3.2	3.8			1.0	0.0						
Henley Centre	4.5	3.4	3.7	4.8	3.2	3.3	3.7	2.1	8.7	10.9	10.7	9.5	73.8	70.1
Item Club	5.9	8.4	3.6	2.2	3.1	3.0	3.7	−2.2	7.3	7.6	10.8	7.9	75.1	73.8
Staniland Hall			3.3	3.8	3.2	3.2					9.0	7.0		
Data Resources Incorporated	3.4	5.5	4.0	4.8	3.1	3.0	2.0	−0.1	8.2	8.1				
Phillips and Drew	3.2	5.2	3.3	4.7	3.2	3.0	0.8	−1.7	8.0	9.5	10.2	10.0	74.0	71.0
Midland	3.0	3.3	3.3	1.9	3.1	3.0	3.1	3.2	6.9	7.0	9.3	7.8	75.4	75.1
James Capel	4.8	5.9	3.0	3.6	3.2	3.2	0.8	−2.8	7.8	9.8	10.6	9.5	72.8	70.8
Hoare Govett	6.3	6.5	1.8	3.7	3.2	3.2	2.2	1.1	8.0		7.5			
Laing and Cruickshank	4.3	7.6	3.5	5.8	3.2	3.2	1.5	−2.0	6.8	9.9	9.2	11.4	73.1	69.9
de Zoete and Bevan	4.0	6.0	3.5	3.5	3.2	3.1	2.0	1.0	7.0	7.5	9.5	9.5	75.0	73.0
Kleinwort Grieveson	2.3	3.3	2.9	2.8	3.2	3.3	1.5	0.5	7.0	7.0	8.5	7.5	72.0	70.0
Wood Mackenzie	2.8	5.0	3.0	4.1	3.2	3.2	0.3	−0.1	7.1	8.5	9.3	9.0	75.9	73.3
Capel-Cure Myers	5.0	4.5	3.7	3.9	3.2	3.2	2.5	1.5	7.5	8.0	9.0	9.0	72.0	70.0
Rowe and Pitman	3.1	3.0	3.5	4.5	3.3	3.2	1.8	0.8	7.5	8.0	9.5	9.5	74.8	73.0
Goldman Sachs	3.9	4.6	1.8	3.7	3.2	3.0	1.8	0.5	7.5	8.8	9.0	9.0	75.0	72.0
Scrimgeour Vickers	3.0	6.9	2.4	4.5	3.2	3.4	1.6	−1.1	7.1	8.4	8.0	9.0	75.8	74.6
FT Average	4.2	5.2	3.3	3.7	3.2	3.1	2.1	0.1	7.6	8.4	9.4	8.8	74.5	72.1
City Consensus	3.8	5.2	3.0	3.9	3.2	3.2	1.6	0.1	7.4	8.3	9.1	9.2	74.2	72.4

* GDP: Average estimate except—output measure from National Institute, LBS, Cambridge, City University; expenditure measure from Kleinwort Grieveson, DRI, Liverpool. † RPI: fourth quarter average except for year average from Oxford, Cambridge, Rowe and Pitman, Capel-Cure Myers; consumer prices year average from OECD, Liverpool; GDP deflator year average from City University Treasury second quarters. ‡ Unemployment: fourth quarter average except for whole year from Liverpool, Cambridge, Wood Mackenzie; year-end from Rowe and Pitman, Capel-Cure Myers. § Current account: Treasury 1987=first half at annual rate; OECD forecast is translated from US dollars at $1.48; ¶ Sterling index is average for whole year except for fourth quarter from Laing and Cruickshank and year-end from Wood Mackenzie, Kleinwort Grieveson (1987=March). ‖ Three-month interbank or base rates for fourth quarter except: whole year average from Liverpool, City University, Henley, James Capel; end-year Oxford, Capel-Cure Myers, Rowe and Pitman, Scrimgeour Vickers.

Guinness offshoot managing director

Mr Brian Baldock has been appointed managing director, GUINNESS DEVELOPMENT GROUP, with responsibility for Guinness interests in retailing, health and publishing. Mr Baldock was previously chairman and managing director, Imperial Retail and Leisure.

★

JOHN MOWLEM & CO has appointed Mr J. E. Douthwaite as airport director of London City Airport. He is director of Southampton/Eastleigh Airport. London City Airport will provide facilities for commercial operators of Short Take Off and Landing (STOL) aircraft just six miles from the Bank of England. It is scheduled to open in autumn 1987, owned and operated by a Mowlem Group company.

★

PANFIDA, Sydney, has appointed Mr Kenneth Vere Nicoll a director. The company is establishing operations in the UK, of which Mr Vere Nicoll will be chief executive. He was an executive director of Baring Brothers Halkerston & Partners.

★

Sir Robert Erskine-Hill has stepped down as chairman of the LIFE ASSOCIATION OF SCOTLAND. He is succeeded by Mr G. W. Burnet, a senior partner with Murray Beith & Murray, who has been a director of LAS for 19 years.

★

At DEVONSHIRE UNDERWRITING AGENCIES Mr Alan K. Giles has succeeded Mr G. K. Knight, who has retired as underwriter of Marine Syndicate 831/832.

★

Dr Brian Smith has joined the board of DAVY CORPORATION as a non-executive director. He is chairman of Metal Box, a director of Lister & Co, a member of the British Overseas Trade Board, and was a main board director of ICI from 1978 to 1985.

★

The Industry Secretary has reappointed Colonel W. A. Dalziel as chairman of the GAS CONSUMERS' COUNCIL FOR SCOTLAND until the new Gas Consumers' Council is established under the proposed Gas Act. He has also been reappointed chairman of the Transport Users' Consultative committee for Scotland until June 30 1988.

Privatisation post at National Bus Company

The Secretary of State for Transport has appointed Mr Christopher Campbell a full-time executive member of the board of the NATIONAL BUS COMPANY. Mr Campbell, who will lead negotiations for the privatisaion of NBC's subsidiaries, joined the Debenham Group in 1966 and from 1984 until February this year was financial executive and special adviser to the chairman of Debenhams.

★

SOFTWARE SCIENCES has appointed Mr Neil Archbold as managing consultant for the insurance sector, in the financial services group. He joins from Lloyd's, where he was market services development manager.

★

Mr Loudon Greenless has joined BARING INTERNATIONAL INVESTMENT MANAGEMENT as finance director. He was previously with the Jardine, Matheson Group for 10 years in the Far East, London and the US.

★

Two appointments have been made to the REVIEW BOARD FOR GOVERNMENT CONTRACTS. Sir Max Williams has been appointed chairman from June 1, and Mr Derek J. Kingsbury became a member of the board. Sir Max succeeds Sir John Grenside, who is retiring; and Mr Kingsbury, who has been nominated by the Confederation of British Industry, succeeds Sir Roy Sisson, who has also retired. Sir Max has been senior partner of Clifford-Turner since 1984, and Mr Kingsbury has been chief executive of Fairey Holdings since 1982.

★

Four new partners have been appointed by RENSBURG of Liverpool, stockbrokers. Three of the partners—Mr Geoff Tym, Mr John Mulligan and Mr Ian Bakewell—will be based in Liverpool. Mr Simon Flather is based at the Leeds office.

★

THE LONDON INVESTMENT TRUST ("LIT") has appointed Mr W. E. Robert Siebenmann as an executive director. Mr Siebenmann is also managing director of Bailey Shatkin, LIT's wholly-owned commodity clearing and broking subsidiary in London.

★

Mr Michael J. Pavia has been appointed group treasurer of LASMO with additional responsibilities for group taxation. He was previously controller, having joined from Price Waterhouse in 1980. Mr Graeme A. Jamieson has been appointed controller, having previously been deputy controller.

THE WEEK IN THE COURTS

A remedy against public servants

THE RADICALISM that commentators detect is breezing around legal circles in Chancery Lane and the Temple is not confined to the legal practitioner.

Although the courts generally have shown some retrenchment in recent months in the fast-developing field of public law, a decision of Mr Justice Hodgson last month,* while this columnist was absent on a foreign mission, has excited those who have sought more powerful remedies against the Crown and its public servants.

It has always been assumed that it was impossible to obtain injunctive relief against the Crown and Crown servants. In a sense that did not matter, because the courts were empowered to make declarations against the Crown or against ministers, which would invariably be treated by them as having the effect of ordering them to refrain from doing something unlawful, or to do something that they were in law bound to do.

But the unfortunate consequence of the law was that, while declaratory relief is an adequate substitute for the final injunction, there is no equivalent to an interlocutory injunction.

In other words, while the case was awaiting its turn in the queue for trial it was not possible to get an order from the court compelling ministers and others from carrying on as if nothing had happened.

In 1962 the Court of Appeal† held that as an order declaring the rights of the parties must, by its very nature, be a final order, it was not possible to obtain an order which corresponded to an interim injunction, or an interim declaration which did not determine the rights of the parties but which was intended only to preserve the status quo.

The inability of the law to declare for the time being what it would determine finally seemed to be a classic example of logic triumphing over good sense and justice. The only way round this absurd piece of logic was to ask for a speedy trial, so that the declaration could be made in the near, instead of the distant future.

Mr Justice Hodgson's compelling reasons for holding that the courts can now grant interim injunctions against the Crown and Crown servants in the field of public law has no doubt sent shivers up the spines of governmental departments.

In the instant case Mr Alex Herbage, who is awaiting surrender to the US authorities to face 25 charges of dishonesty before the criminal courts of America, is complaining about his treatment in Pentonville prison while he undergoes the process of extradition.

He is asking that the governor of the prison and the Home Secretary be ordered to take all necessary steps to ensure that he is granted the same opportunities of association with fellow prisoners as are accorded generaly to unconvicted prisoners who are remanded in custody.

He has adduced evidence before the court that there are no grounds for his being kept in solitary confinement and locked up in his cell almost round the clock.

Mr Herbage asked the court to say that this inhuman treatment should desist forthwith. While Mr Justice Hodgson has denied him the relief for the time being, at least until there is more evidence of the facts, the judge has ruled that he has the power to make the order — to the consternation of the lawyers acting for the governor and the Home Secretary.

The problem facing the citizen who seeks to stop ministers and civil servants in their tracks has been a provision in the law since 1947.

The injunction is ordinarily a remedy in private law. It lies at the discretion of the court to enjoin a party from breaking his legal obligations — for example, by breaking a contract or committing a civil wrong such as trespass or nuisance (such as the hippies wandering through private land in the south-west of England).

The court may also grant a mandatory injunction, requiring the wrongdoer to do a particular act.

An interlocutory injunction in the private sphere is an exceptional remedy; courts like to preserve the existing situation pending the trial of an action, but in an emergency will put a stop to illegal action. In the public sphere such orders are rare. They are made only where parliament has said that a minister is bound to do something.

Failure to comply with the specific statutory duty will allow the court to intervene. In the Crown Proceedings Act 1947 parliament enacted that in *civil* proceedings against the Crown the court "shall not grant an injunction . . . but may in lieu thereof make an order declaratory of the rights of the parties."

It further provided that the court could not grant an injunction against an officer of the Crown if the effect of granting that remedy would be to give relief against the Crown which could not have been obtained in proceedings against it.

Until very recently there has been in this country no separate system of public law. The ordinary law of the land applies to public bodies and administrative authorities, just as it does to the private citizen.

But the injunction, which was freely available against local government officials and local authorities, was specifically not available against the Crown and Crown servants. Three years ago, however, the House of Lords did create a separate system, to the point where it said that to bring public law cases before the ordinary courts was an abuse of the processes of the law.‡

This challenge to a decision or action by a minister that he was acting beyond his legal powers could be brought only in the special court designated to deal with judicial review of administrative action. Although the complainant was debarred from use of the civil process, he was not debarred from asking for injunctive relief in the specialist forum which was not a "civil" proceeding.

Thus a big obstacle to providing the citizen with a powerful remedy for the illegal and improper behaviour of ministers and their civil servants has been removed. The development of administrative law in England has taken one significant step forward in the process of providing the ordinary citizen with protection against the bureaucratic machine.

* *R v. Secretary of State for Home Affairs and another, ex parte Herbage, May 19 1986.*
† *International General Electric Co. of New York Ltd v. Commissioners of Customs and Excise [1962] Ch. 784*
‡ *O'Reilly v. Mackman [1983] 2 A.C. 237*

Justinian

Preserve TSB's character, say depositors

BY DAVID LASCELLES, BANKING CORRESPONDENT

A PLEA to preserve the Trustee Savings Bank's historic character is made today by depositors opposed to the planned flotation of the 176-year-old banking group.

A pamphlet prepared by the TSB Depositor Association of England and Wales, says the group's future "can only be settled when a new democratic structure for TSB has been secured in which the historic aims of the bank and the present interests of depositors replace the money-making purposes of those now in charge."

The association proposes that the TSB remain a trusteeship catering for its depositors and the poor, and open branches in neglected places.

Among specific policies it urges are:

- Preferential loans for people starting businesses in inner city areas;
- Higher rates of interest for deposits from pensioners;
- Low-cost, short-term emergency loans for poor people.

The pamphlet says such a programme could transform the TSB "into a significant alternative in British society, as it was meant to be."

The association has appealed to the House of Lords for a ruling that the TSB's assets belong to depositors rather than to the group, the position taken by the Government. However, the TSB has offered to pay the legal expenses of the association as well as of Scottish depositors, to settle the matter at the highest level.

The association says that no date for the Lords hearing has yet been set, but it is expected to be *late June or July.*

Mr Philip Charlton, chief general manager of the TSB group, said he "very much regretted" that Dr John Vincent, the association's chairman, had felt it necessary to make the statement since he had offered several times to explain the background to the TSB's plans.

The TSB had to introduce changes and new products, he said, because it was losing market share. He repeated his offer to discuss the situation *with Dr Vincent.*

FINANCIAL TIMES SURVEY

Monday June 9 1986

Corporate Communications

EVERY COMPANY or business organisation has an image of itself and what it does. Unfortunately, only rarely is this image effectively communicated to the people who matter—employees, customers, shareholders, civil servants and suppliers.

But there are signs that all this is changing, with companies—large and small—now prepared to spend approaching £5bn in total on all forms of communicating their message to various target groups.

Corporate communications have suddenly become the "flavour-of-the-month," to use the jargon of the communications business, as companies seek to fend off massive takeover bids, persuade local authorities to allow vast shopping centre developments, or soften the blow to employees whose jobs are being taken over by robots.

The crucial need for better communications moreover, was clearly illustrated by the Distillers takeover saga in recent months. In 1972 a Distillers spokesman was reported as saying: "Our brands are well-known and that's what counts. We don't care if nobody knows Distillers."

Successive generations of financial journalists discovered that the company meant just that.

Some 14 years later, however, Distillers found itself in need of friends when on the wrong end of a takeover bid from James Gulliver's Argyll Group. In the end the price of saving itself from Gulliver's clutches was to be taken over by Guinness.

Why has so much recent attention been focused on corporate communications? The recession was a key catalyst in concentrating the corporate mind on the problem of reaching target groups. Customers needed to be wooed more than ever before and shareholders kept appraised of the company's efforts to ride out the recession.

Employees needed to be told that their jobs depended on their efforts as never before, while government had to be persuaded to use economic policy to alleviate burdens on businesses.

Companies are spending nearly £5bn a year on seeing that their point of view reaches specific targets. These range from shareholders, when fending off takeover bids, to employees being urged to accept important policy changes

Wooing that costs £5bn

By David Churchill, *Consumer Affairs Correspondent*

Companies have since found that more effective targeting of their messages actually works. New media have appeared—such as breakfast television and new newspapers—to widen the the communication choices. At the same time developing sectors, such as high-tech industries, have needed to become better known.

"Every management has ambitions for its corporation and some sense of desired direction," says Mr John Martin, chief executive of the Welbeck public relations consultancy.

"Corporate communications is concerned with influencing the way the corporation behaves and with communicating the positive benefits of this behaviour to clearly identified public audiences."

The importance of this approach is shown by the consistent findings of market research by MORI that two out of every three people in the UK believe that "a company that has a good reputation would not se poor quality products."

"The bottom line of this attitude is that people are more likely to try a new product from a company they regard highly than from a faceless conglomerate," says Mr Robert Worcester, chairman of MORI.

"They are also more likely to apply to a familiar company for a job, buy its shares, believe its pronouncements, and read its advertisements if they feel they know the company well and have a high regard for it," he adds.

MORI's research has also shown that nine times out of 10 the better known a company is the more highly it is regarded. "That applies not only to the general public but also to institutional investors, brokers' analysts, City journalists, MPs of all parties, editors, final-year undergraduates, captains of industry, and all the other audiences that companies have identified as being important," Mr Worcester explains.

But communications today are not confined to national boundaries. "In communication terms the world is getting ever more a village," says Mr Roger Heywood, chairman of a Norwich-based communications consultancy.

"Companies that expect to trade effectively in different countries have to remember that news is instant and recognises no barriers. An accident in one country, for example, can have an immediate impact in another."

As the global village has shrunk in terms of communications it has fostered the growth of global communicators.

Among them is Saatchi and Saatchi, which has grown over the past decade to become the world's largest corporate communications company with interests in advertising, public relations, direct marketing, and management consultancy.

The growth of the Saatchi empire has, not surprisingly, encouraged others to try to imitate it, although so far with less success. But the "big is beautiful" approach pioneered by Saatchis is not without its critics, who believe that the emphasis on the global may be running ahead of the problems faced by many companies in improving their communications at a more basic level.

[illegible] companies go about improving their communications? One growing concept is the communications audit which, costing up to £25,000, can be a detailed analysis of who thinks what about a company and why.

Mr Reginald Watts, former chairman of Burson-Marsteller in the UK who now runs his own consultancy, believes that the communication audit has become a much misused term. "Many consultants talk to a few press people, telephone an analyst or two, and then interview the board of directors of the client, culling the best quotes and calling the whole thing a communications audit," he says.

"We have developed a series of clear methodologies and disciplines that give clients all they need to gain competitive advantage in the market."

What is likely to emerge from such audits—or even their less sophisticated versions? What do our publics think of us and how can we get our message across to them? These are the basic questions facing any company.

Mr Martin, of Welbeck PR, points out that "In assessing its need for corporate communications each management must examine its areas of strength and weakness."

What, for example, is the industrial relations outlook? What are the probable effects of a factory closure or site move, expansion or contraction, side-effects of new technology or production methods, or threats involving pollution or safety?

There are at least six key target groups that companies need to be aware of and these can be further sub-divided. They are:

- Shareholders and the financial community: to communicate management and financial information, establish credibility, and generate financial support;
- Retailers, wholesalers and others in the distribution chain: to engender confidence in the company's products, services, promotional support, and so on;
- Consumers to encourage them to use the company's products and/or services and to communicate relevant information about the company;
- Opinion-formers in central and local government: to represent the company's interests in legislative terms;
- Local communities: to improve public relations in the company's neighbourhood, and to help recruitment and staff relations;
- Employees: to help to create loyalty and commitment among the workforce.

Advertising, in the press and on television, is by far the most widely used means of communicating messages to these target groups, but it can sometimes be the most expensive and least effective medium. Basically, the broader the target group the more cost-effective advertising can be in reaching them.

But, as Mr Watts points out, some corporate advertising campaigns favoured by large companies have been the least effective. "Once the very expensive television commercials come to an end most people forget the slogans," he says.

Public relations consultancy has come into its own in the 1980s as a more cost-effective means of reaching more clearly-defined target groups. The demand for the services of consultancy firms of all sizes has grown rapidly and, to some extent, has taken them by surprise.

A problem that has emerged recently, however, is that insufficient staff can be recruited or trained to keep up with demand and, not surprisingly, professional standards have begun to slip. Some large consultancies, moreover, are finding that more time is being spent in trying to sort out their own management problems than on communicating on behalf of their clients.

Apart from advertising and PR, the corporate message is also being delivered by other means, including greater emphasis on good design—ranging from letterheads to shopfronts—and direct marketing by letter or telephone.

But as the means of communicating their corporate message becomes more sophisticated and cost-effective, companies should not lose sight of the fact that it is the message—and not the medium—that remains the most important.

TOP 20 CONSULTANCIES

		Name of consultancy	Fee income (£'000)	Fee income June 1985	Fee income change (%)	12-month accounting period end	Full-time staff at: 31.12 1985	30.6 1985	Change in staff (%)
1	(1)	Good Relations Group	5,700	5,100	+11.7	31.12.85	154	153	+ 0.65
2	(2)	Charles Barker Group	5,650	4,551	+24.1	31.12.85	168	160	+ 5.0
3	(4)	Burson-Marsteller Group	4,323	2,848	+51.8	31.12.85	149	132	+12.8
4	(3)	Shandwick Group	3,701	2,900	+27.6	31.12.85	112	86	+30.2
5	(5)	Dewe Rogerson Group	2,735	2,114	+29.3	31.12.85	120	108	+11.1
6	(7)	Hill and Knowlton Group	2,369	1,784	+32.8	31.12.85	90	84	+ 7.1
7	(17)	Communications Strategy	2,278	1,121	+103.2	31.12.85	75	52	+44.2
8	(8)	Daniel J. Edelman	2,202	1,610	+36.8	31.12.85	82	60	+36.6
9	(10)	Carl Byoir and Associates	1,799	1,400	+28.5	31.12.85	65	65	0.0
10	(12)	Biss Lancaster	1,665	1,325	+25.7	31.12.85	64	56	+14.3
11	(9)	Kingsway Group	1,650	1,460	+13.0	31.12.85	66	60	+10.0
12	(16)	Granard Communications	1,612	1,146	+40.7	31.12.85	60	56	+ 7.1
13	(6)	Welbeck PR	1,550	1,895	−18.2	31.12.85	62	58	+ 6.9
14	(27)	City and Commercial Communication	1,482	790	+87.6	31.12.85	55	44	+25.0
15	(29)	Valin Pollen	1,473	1,080	+36.4	30.9.85	134	120	+11.6
16	(11)	Harrison Cowley Group	1,464	1,400	+ 4.5	31.12.85	83	60	+38.3
17	(13)	The Extel Consultancy	1,444	1,260	+14.6	31.12.85	40	40	0.0
18	(18)	Streets Financial	1,400	1,100	+27.3	31.12.85	43	52	−17.3
19	(15)	Leslie Bishop Group	1,320	1,200	+10.0	31.12.85	52	49	+ 6.1
20	(14)	Countrywide Communications	1,300	1,250	+ 4.0	31.12.85	55	53	+ 3.7

Source: PR Week.

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Public Relations

More groups ready to seek flotation

BRITAIN'S PUBLIC relations consultancy business — at the sharp end of corporate communications — appears extremely buoyant at present.

More than £540m was spent last year by companies on all aspects of public relations activity and the demand from companies seeking to improve their communications through the use of specialist PR advisers is as yet showing no real sign of decline.

Figures from the Public Relations Consultants Association, the main trade body for consultancies, show that its 113 members reported a 22 per cent increase in fee income last year to top £50m for the first time. Other sources suggest that the total fee income for all consultancies last year, including the hundreds of smaller consultancies, may have reached £100m.

Such growth has prompted a number of leading consultancies to capitalise on this demand by seeking a public quotation, either on the full stock exchange or on the Unlisted Securities Market. In addition, there have been some mergers between consultancies seeking to create larger communications groups.

What has been behind this growth? The key factor was the recession of the early 1980s when many companies cut back on their advertising expenditure but, instead, spend more on below-the-line public relations activity.

PR consultancies were as surprised as anyone by this turn of events, since in previous recessions both advertising and PR expenditure had been cut back. But marketing executives in major companies learnt from that experience that it was harder to win back brand share after a recession and much easier to try to minimise lost share during a recession.

PR was turned to as a more cost-effective means of getting companies' messages across to traditional consumer markets.

At the same time, however, new areas requiring communication skills were opening up. The growth of technology-oriented companies, for example, was a new source of business for consultancies to use traditional PR techniques to explain the complexities of high-tech to a lay audience.

The booming stock market after the recession—allied to the spate of new issues and takeover activity—gave a fresh impetus to financial and corporate public relations. The forthcoming "Big Bang"—the deregulation of financial services—will further increase demand for those specialist consultancies who have the contacts in the City.

Another factor boosting consultancy growth has been the emergence of new media opportunities—such as breakfast *television and new newspapers* and the move by consultancies to adopt a more sophisticated approach to meet specific targets within the media.

As a result of this surge in demand there has been, not surprisingly, a restructuring of the sector in recent years.

The key trends have been for larger consultancies to grow through acquisition of small to medium-sized consultancies and, increasingly, to seek public company status to help finance such deals. In addition, some consultancies have decided that linking up with an advertising agency is the best course to stay in the major league.

Good Relations, the largest PR consultancy, was the first to go public—joining the USM in 1981 and the full stock exchange in 1983. Valin Pollen followed on the USM last year and achieved a full listing only in April this year—shortly before it attempted an abortive merger with Good Relations.

Last December, saw Chetwynd Streets join the full market, shortly after the Shandwick Group had joined the USM. Addison Page (which as Addison Communications had joined the USM in 1984) last month merged with Chetwynd Streets.

Charles Barker, which claims to be the oldest financial advertising company, was floated on the full stock market last month. Coming to market shortly are likely to be the Lopex Group and Communications Strategy while a number of other medium-sized consultancies—such as City and Commercial Communications—are also believed to be joining the flotation bandwagon.

Some of those that might have gone to market have already been snapped up by advertsing agencies. Earlier this year Saatchi and Saatchi bought three UK PR consultancies—Kingsway, Granard and GRC Financial—while the Wight Collins Rutherford Scott advertising agency last year acquired the fast-growing Bis, Lancaster consultancy in a deal worth up to £6m.

Other consultancies which might have found their own way to market have been bought by those already with a public quotation—the most recent example being Shandwick's acquisition of the Leslie Bishop Group.

Among the major consultancies, moreover, there are a number already part of major US groups. Burson-Marsteller, for example, is owned by the US advertising agency Young and Rubicam, while Hill and Knowlton is part of the J. Walter Thompson advertising group. Foote, Cone and Belding has two top UK PR consultancies in Welbeck and Carl Vyoir and Associates.

Still independent among the top 10 consultancies are two companies which have so far firmly eschewed public company status—Dewe Rogerson and Daniel J. Edelman.

How long they will be able to avoid either the clutches of either an unwanted takeover or the lure of a share flotation remains to be seen. There is a clear trend towards the idea of "big is beautiful" among PR consultancies as there is among advertising agencies — as evidenced by Saatchi and Saatchi's rise to become the world's leading communications consultancy within a decade.

Mr Steve Smith, joint chairman of the new Addison Page Chetwynd Streets combine, believes that "in a few years' time there will only be three or four global consultancy groups —and we want to be one of them."

But the PR world of the late 1980s is not solely in the hands of ever-growing consultancies. Although a group such as Charles Barker now employs more than 700 staff, the great majority of PR consultancies employ only a handful.

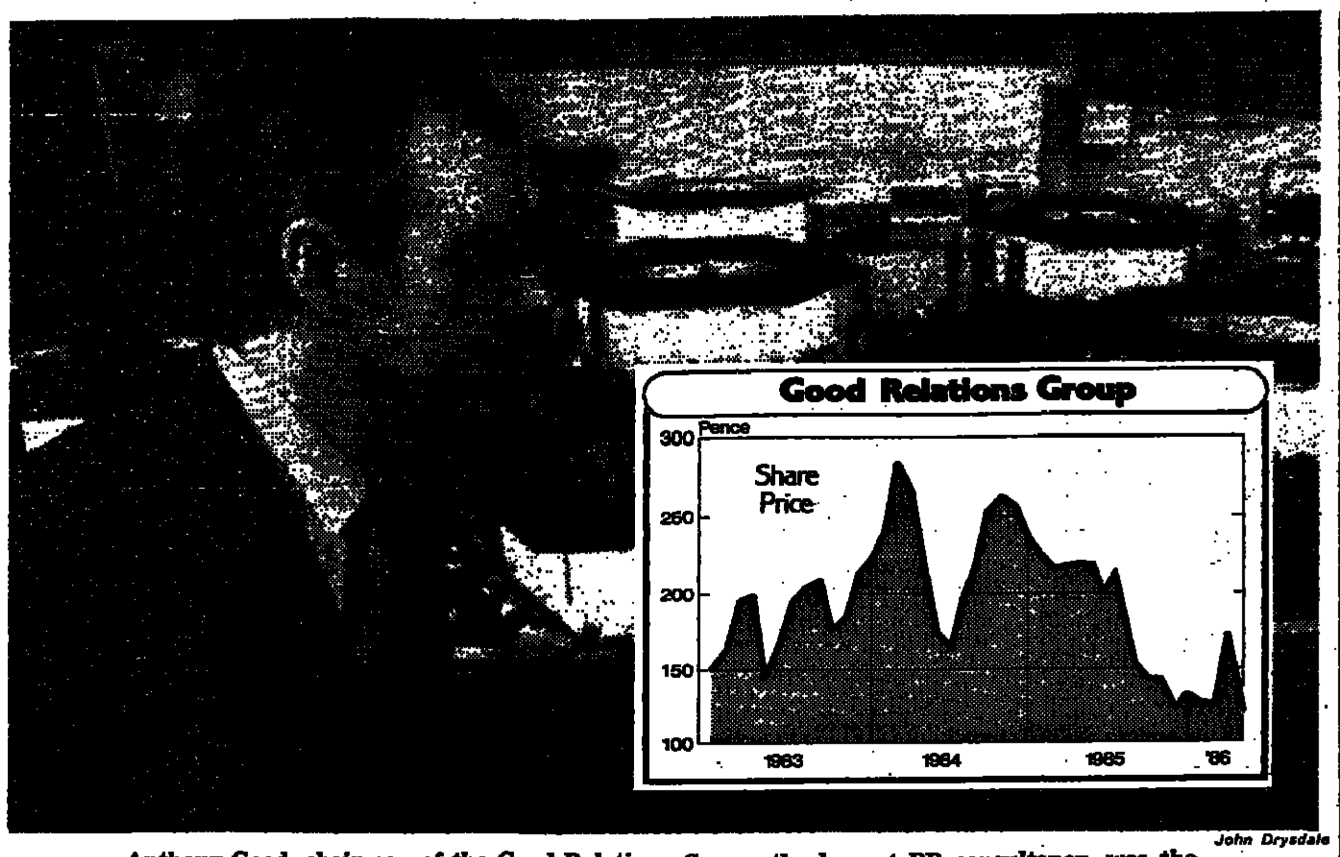
As consultancies grow in size, many are finding that the problems of motivating and managing their employees is a very different business to the skills required for a successful PR campaign. The larger consultancies are *under some criticism* from clients and others that they are having to devote so much time and resources to running their growing businesses that they sometimes forget the client's needs.

In addition, the difficulty of attracting and keeping effective PR consultants is a major source of worry. Many observers of the consultancy scene believe that standards of PR executives are actually falling, largely as a result of too much demand chasing too few good people.

"Just when there seems a real chance of burying the O'Booze image of PR hackdom and securing the giddy goal of being judged an essential discipline, too many practitioners appear to be cutting corners, settling for superficial solutions to current needs, and setting the scene for an erosion of standards," Mr Frank Barnard, chairman of the Extele Consultancy asserted recently.

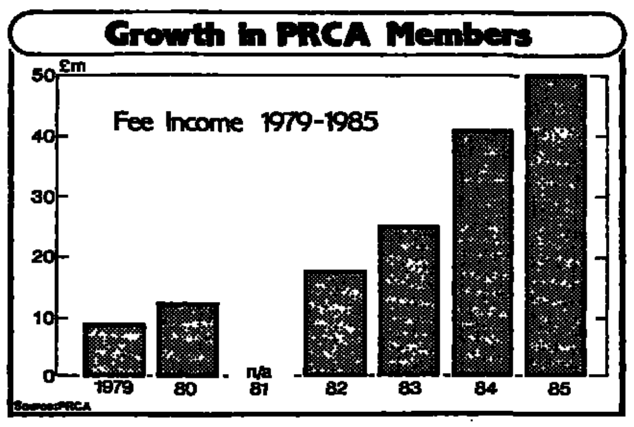
When Mr Barnard made these comments he came in for criticism from some other consultancy chiefs for "letting the side down" and for "washing the industry's dirty linen in public." Such reactions suggest that the PR industry still has some way to go before it has the confidence in itself to be taken seriously.

David Churchill



John Drysdale

Anthony Good, chairman of the Good Relations Group, the largest PR consultancy, was the first to go public. It joined the USM in 1981 and the full stock exchange in 1983



Design

Reality must match promise

EVERY COMPANY has a corporate identity, whether or not it has ever employed a design consultancy.

The physical cues to a company's personality, from the lettering on literature, premises and product, to office layout and customer service, are tell-tale signs of its attitude to business. And, as designers never tire of reminding us, corporate identity goes deeper than a pretty set of new clothes in working to a company's best advantage.

This is why design consultancies insist on lengthy research before ever picking up a pencil. It is vital to understand what makes a company tick, to absorb its culture and know its strategy, its positioning, its goals, before a valid brief can be drawn up. Identity does not come cheap, nor is it transient—unlike most advertising campaigns. It can outlive its makers. So it pays to do the homework.

"We wouldn't start designing for about six to nine months after the day of appointment," says Tom Caplin, of Allied International Designers, one of the country's leading design group (Allied has worked on identities for Tootal Group, Lyons-Tetley, Standard Chartered Bank, Help the Aged and TSB, among others). "We like to talk to all levels of management, and right down to the cleaners sometimes. The chief executive can give you maybe 90 per cent of the story, but the other 10 per cent comes from other people."

As companies increasingly value a strong corporate identity, there is growing emphasis on evaluation of what is usually a six-figure investment. "It is all about W.I.F.M.," said one American wag. "What's in it for me? How does design work for my company?"

As the focus of communications, corporate identity fulfils a vast number of functions. One endorsement comes from Tootal, fresh from its successful retreat from Entrad. "Our corporate visual identity has played a very important part in staving off the predator," says Audrey Lloyd-Kitchen, group public relations manager. "It would have been near impossible to mount a corporate advertising campaign, such as we had at short notice, without a strong visual identity. Even those who doubted its importance at the beginning now realise this."

Schreiber updated its product range and then (courtesy of Lloyd Northover) revised its image, and is on record as saying that its turnover rose as much as sixfold in some stores after the change.

In cases of company mergers, sensitive handling of the identity can facilitate the union, ensuring that both parties are equally represented. Lyons-Tetley and Leicester Alliance showed how.

A change of identity is a way of signalling such changes within a company as diversification, reorganisation, or expansion abroad; and the degree of one must be balanced by the other.

If the reality does not live up to the promise (the same is true in advertising), the whole identity exercise is a waste of effort. No amount of fine livery or appealing ambiance will tempt the customer back if the product and service is a let-down.

Big Bang in the City, just four months away, with its structural changes in the financial-services sector, is sending a stream of companies in search of new identities. Wolff Olins, one of the country's top corporate design consultancies, reports that, in the past three years, the financial service sector has become its single most important source of new business. The consultancy has handled identity for P & O, Renault, and Midland Bank among others, and is currently working on a revamp for the Prudential Corporation, signalling its diversification into unit trusts, estate agency and mortgages.

David Vevers, group public affairs manager at the Pru, believes that "only those companies with a clear identity, and highly visible products which are easily distinguishable, will succeed in the new market conditions."

The design world has seen its own "big bang" of sorts. Many a major consultancy (such as Landor Fitch and Co, Wolff Olins Allied) now field multi-discipline teams of specialists. Marketers, management consultants and financial specialists work alongside the designers.

Feona McEwan

Financial Services

Big Bang yields rich harvest

THE "BIG BANG" in the City — which is what the deregulation of financial services this autumn is now being called — is the latest spur to further growth in the financial communications field.

Already financial communications has become the fastest-growing sector of public relations. Apart from the Big Bang, the sale of State assets, new issues, and mega-takeover bids have created unrivalled demands for the skills of financial communicators.

Even the possibility of a "bear" stock market in the next few years has done little to dampen the growth of the sector.

In the City, moreover, public relations effort appears to offer greater rewards than pure advertising. "A company, particularly one whose shares are quoted, needs to maintain a continuing dialogue with the business press and with the institutional shareholders who may well *own* half of the company between them," says Mr Roddy Dewe, chairman of Dewe Rogerson, one of the well-established City consultancies.

"Companies which do not undertake these activities find themselves short of friends in a crisis — for example, an unwanted takeover bid — or short of support in major business decisions when making an unwelcome bid for someone else," he adds.

The growth of financial communications has also spurred the activities of some consultancies in seeking a public quotation. The Charles Barker Group, for example, is one of the leading financial advertising and PR groups which came to market last month.

"Deregulation in the City will create more opportunities for consultants," says Mr Antony Snow, chairman of the Charles Barker Group. "Not necessarily competing with the broker, consultancies will be in a strong position to advise analysts and brokers, as well as investors themselves, on ways of communicating."

Moreover, the demand for financial skills is leading to some realignments among consultancies. "Recently, and particularly during the past year, there has been a polarisation among communications companies," suggests Mr Tony Knox, chief executive of Streets Financial Communications, part of the new Addison Page Chetwynd Streets combine.

He believes that three main types of financial consultancy have emerged: small specialists who are expanding quickly because of takeover activity; concerns like Streets which work for companies needing broadly-based services; and subsidiaries of multinational PR companies which, belatedly want to join in on the sector's growth.

Financial PR consultancies have come a long way in the past five years or so, even though the sector is still relatively small.

Financial PR was born largely out of the financial advertising industry, and many consultancies still have major links with advertising agencies specialising in finance; but it was *staffed* in the early *days* by what one consultancy director rather cruelly describes as "financial advertising no-hopers."

Certainly, in those early days financial PR consultancies were viewed with circumspection not only by the clients they sought but also by the press. Indeed, the suspicions linger on even today.

The ultimate aim of PR activity in this sector is to ensure that a client's share price accurately reflects the company's underlying trading performance. This makes it easier to make and defend bids or to raise money on the stock market.

Consultancies help companies to attain market recognition in a number of ways: advising on the form and presentation of financial results and to whom they should be sent; organising regular briefings and seminars and visits to companies; developing individual contacts with the financial *and trade press; and keeping* brokers' analysts and fund managers aware of developments.

What are the key reasons for the growth in financial communications? The recession that hit the UK late in 1979 encouraged companies to make greater use of PR consultancies as a more cost-effective means of getting their messages across.

This was especially relevant for companies anxious to persuade shareholders and customers just what impact the recession was having on their business. Some City analysts also suggest that the growth of financial PR in the early 1980s helped to keep the bull market going in spite of the severity of the recession.

Equally, once the worst effects of the recession were over, so financial PR was able to keep the key target groups informed about how the recovery was developing.

The impact of recession and recovery, moreover, has also "*quite dramatically changed* the pattern of business behaviour in this country," says Mr Richard Sermon, chief executive of Shandwick Consultants.

He believes that companies are now more willing to look at their communications and demand a more structured approach. In particular, financial institutions are aware of the need to communicate as never before.

Mr Piers Pottinger, managing director of Good Relations City, also identifies the influx of financial PR activity arising from multi-national companies entering the UK market and therefore needing to develop their financial presence. These companies, moreover, have imported the relatively new concept of investor relations—PR specifically directed at shareholders.

A decade of the bull market and the advent of the unlisted securities market has also seen a record number of new companies seeking a share quotation. The consequence is that most, if not all, of these companies have sought to smooth their path (not always successfully) by employing financial PR consultancies to strengthen the potential demand for the company's shares.

At the time of going public—whether with a full quotation or on the USM—a company is exposed to the sharpest possible Press, public and City scrutiny. Although no flotation programme can gloss over mediocre results or the company's financial prospects, well-planned PR can ensure that the financial media and City audiences are fully up-to-date on performance, progress and outlook.

Since Mrs Thatcher came to power in 1979 one of her main aims has been to transfer State assets back to private ownership via the stock market—an objective which has been greeted with enthusiasm by City institutions and financial PR consultancies.

The success of the British Telecom share flotation has, some City analysts believe, created the right public awareness of the potential of share ownership among many more people than ever before. The forthcoming British Gas flotation is expected to need an even more extensive PR campaign—given the complexity and variety of the assets involved—which will be handled by Dewe Rogerson after their BT success.

But it is in the big takeover battles of the past year or so that financial PR has come into its own. PR advisers, once kept outside the decision-making process, now plan an integral role in a takeover defence or attack; and reputations *can be won or lost on the outcome.*

In the current takeover struggle over Woolworth's, Dixons is advised by Shandwick. Woolworth's, which is fiercelv resisting the Dixons bid, is advised by three consultancies: Dewe Rogerson, Paragon Communications, and Biss, Lancaster.

It remains to be seen, however, whether three consultancies are better than one in such a takeover battle.

David Churchill

Left to right: Antony Snow, chairman and chief executive; Stephen Gibbs, deputy chairman; John Page, director of finance; Paddy Murray, director of Charles Barker plc. The growth of financial communications acted as a spur to come to market

Advertising

Voice for the company

OPEN THE pages of any national newspaper or switch on the television and you will find corporate advertising strongly represented. Companies are raising their voices, many for the first time, in a determined bid to be understood, admired and valued commercial citizens.

From British Gas, to the Prudential Corporation (its first corporate campaign is imminent), Price Waterhouse to General Motors, Dollond and Aitchison, to the Electricity Council, corporate messages are a growth market.

While individual aims may vary from company to company, the ultimate aim of corporate advertising is a singular one. "To put a halo round the company reputation," is how Mr David Ogilvy puts it. An American lawyer is said to have defined it thus: "It is a hybrid creature, designed to use the means of paid advertising to accomplish the goals of public relations." Anyway, it is the means for a company to have its say within the rules of honesty, decency, truthfulness and legality, and importantly in the *order* it chooses to say it.

As such, corporate advertising is a form of protection, an insurance policy, that works among a company's many influential audiences (from shareholders and employees, to legislators and bankers) to create a safety net against being misunderstood, undervalued or ignored. While no one would *suggest it was an easy cure-all* for papering over corporation cracks—it is not even easy to do well — it works to shore up public goodwill so should a company hit troubled times, it has a head start over the company that has never bothered to explain itself.

It falls to the chief executive, in the main, to handle corporate advertising, and though learning fast, he is not always the first to recognise its value. The fact that it is hard to evaluate and that it demands a long-term commitment—opinions are not turned round in days or even months—have not helped to convince the sceptics of its effectiveness.

This is changing fast. Recent experience in the takeover market has helped convince doubters that maybe they cannot afford the risk of going without a corporate campaign.

Anyone who doubts the efficacy of corporate messages might consider the famous McGraw-Hill Magazines press advertisement Fifties it features a daunting company executive who asks: "I don't know who you are. I don't know your company. I don't know your companies' product. I don't know what your company stands for. I don't know your company's customers. I don't know your company's product. I don't know your company's reputation. Now—what was it you wanted to sell me?"

Some industries have learnt the corporate lesson. Banks and building societies have shown consistent commitment to pushing the corporate "brand" . . . remember "the listening bank," "the action bank" and a thoroughbred among banks?" Before them, the oil companies knew well the dividends reaped by keeping the public informed.

They handled a messy product which carried a pollution risk, involved an unsightly production process and had a premium price tag (as customers saw it). Which is why Shell, BP, Esso, Mobil and the rest have kept up a constant public information programme.

The reason for much of the current vigour in the corporate advertising field owes a great deal to the predatory financial climate of the past year or so which has seen a record number of takeover battles. No company, however fat and sleek, can now afford to sit back and ignore its image, internally or externally.

Would the outcry against General Motors' prospective links with British Leyland have been received with such hostility, ask industry observers, if the American company had spelt out its intentions and good citizenship, long ago in a corporate campaign?

A significant factor in the wave of corporate activity is the move among nationalised industries towards wider-share *ownership. In the wake of the* successful British Telecom flotation, British Airways, British Aerospace, British Airports Authority and British Gas are already lining up their corporate messages to ensure the public is well informed.

With Big Bang just four months away, the financial sector in London is under pressure to sharpen its marketing knowhow. No longer able to rely, after deregulation of the Stock Exchange, on the cosiness of the old boy network for contacts, and facing diminishing differentiation between financial sectors, the need to sell themselves efficiently is pressing.

The professions are learning how to do this after deregulation of their advertising rules. Accountants appear to be grasping the nettle, though solicitors have a long way to go.

Broadly speaking, the targets of corporate advertising can be divided into five groups. Business (that is, customers, suppliers and distributors, associated companies); Government (local, national and international); the Public (media, pressure groups, the general *public*), *Internal* (*employees* and potential staff, unions) and Financial (shareholders, stockbrokers and banks).

Corporate advertisements are not easy to do well. "It's very important to get the tone right," says Ray Dafter, central director, public and overseas relations of the Electricity Council which has recently launched its "Electricity for Life" campaign. "Get it wrong and it can backfire on you."

Since one of the first objectives of the campaign (as well as to back customer decision-making) was to boost staff morale (which in turn influences service) Mr Dafter first undertook widespread research into the company image. Staff were involved throughout the making of the advertisements, criticising and approving. Such caution seems to have paid off. Already there are signs of positive reaction from staff. The Prudential Corporation, as it approaches its first ever corporate campaign, has briefed its agency to undertake research three to four months before embarking on any strategic thinking.

Mr David Bernstein, in his excellent book, Company Image and Reality, gives some pointers to the craft of writing corporate messages. "Corporate advertisements start with two strikes," he says. "Reader interest is allegedly 35 per cent below the norm for all advertising. The advertisement has to look interesting and hold interest. "Soft" headlines do less well than hard headlines.

"The best corporate advertisements are active rather than passive, concrete rather than abstract, specific rather than general."

Feona McEwan

Consumers

Identifying the target

TARGETING consumers has, until relatively recently, been the most active part of corporate communications.

While reaching customers and persuading them to buy the products of fast-moving consumer goods manufacturers has long been the main role played by advertising and public relations agencies, such work has been eclipsed by the rise of other fast-growing objectives as high-tech, lobbying, and financial communications.

Now, however, the increasing sophistication of PR consultancies enables them to offer new methods of enhancing traditional consumer advertising with techniques aimed at boosting sales or changing consumers' perceptions.

In one sense, the modern consumer is spoilt for choice, with new products and retail ideas emerging all the time. So on what basis is the decision made to choose one particular product or service over another?

Ms Janet Salvoni, a director of Paragon Communications which last year won awards for its consumer marketing, believes that the crucial target is consumer attitudes.

"Public relations as a function of marketing support is the one discipline fundamentally concerned with influencing attitudes," she says. "A heavy-weight multi-media advertising campaign will undoubtedly raise brand awareness and a creative sales promotions scheme will ensure impact at the point of sale.

"Ultimately, however, neither will win the customer over if his perceptions of the company or product in question are poor."

Ms Salvoni adds that for smaller concerns, and particularly when they are competing for a market share against major advertisers, company image and consumers' attitudes will often represent the sharpest weapons in their armoury.

Paragon was asked by British Telecom's consumer products division to devise a PR campaign which would encourage people to purchase additional extension phones for their homes. The marketing problem was summed-up in the fact that some 80 per cent of homes already had one phone, so why should they want more?

The strategy for obtaining media coverage was based on a nationwide Gallup Poll, commissioned by Paragon, which looked at disaster stories involving "wrong moment calls."

"Not surprisingly, news editors were keen to run stories detailing the number of housewives seen by their window-cleaners as they ran naked from the bath to the phone in the hall," says Ms Salvoni. "Or the man who broke a leg falling over the garden hose as he dashed indoors to answer the phone."

The serious undertone to each news report, however, was that the more telephones strategically placed around the house, plus cordless ones for the garden or garage, would have prevented many of these disasters or embarrassments.

Welbeck, another consultancy with extensive experience in consumer PR, was given the task by its client — ICI's Dulux paint brand — to support the launch of Dulux Solid Emulsion.

The paints markets has been relatively static and is fiercely competitive, but the new paint was intended to carve out an 11 per cent share of the brilliant white emulsion market during its first year.

The principal PR objective was to "provide a launch platform which generated maximum excitement and interest for the widest possible potential used audience before the start of the important home-decorating season."

While media with long lead times were given advance briefing sessions, the main consumer media launch was held in the Hippodrome nightclub and given a high-tech theme to emphasise the product's technological innovation.

To create visual impact at the launch, a photocall session, featuring glamorous débutantes in ballgowns, was organised to demonstrate the paint and show that it did not splash. Follow-up techniques included editorial competitions in regional newspapers.

Welbeck claims that the PR campaign was a total success, provoking much interest and helping Dulux to achieve a 14 per cent share of the market.

But consumer communications can also apply to more glamorous subjects than paint. When Hill and Knowlton won the St Lucia tourism account five years ago, the place was almost unheard of and thought to be "somewhere in Spain."

St Lucia had no advertising budget for the UK, so its marketing programme had to rely heavily on PR. Hill and Knowlton's strategy was to promote the beauty of the island's natural assets—mountains and rain forest—as attractions different from the usual sand and surf.

Hill and Knowlton's programme for St Lucia embraced a number of techniques, including a new corporate identity and logo to provide a unifying theme when communicating with its various audiences.

Other techniques included extensive Press contacts, competitions, making a documentary film for showing in cinemas, and keeping the travel trade informed of developments.

As a result, St Lucia has emerged as the most popular Caribbean resort among British tourists as well as being one of the most attractive long-haul holiday destinations.

The objective facing the Daniel J. Edelman consultancy was to make consumers aware of the changes that had taken place in the Wimpy fast-food chain in recent years after United Biscuits, the parent company, had started to revamp the business in the early 1980s.

A substantial investment programme had seen nearly 90 counter - service restaurants built, at a cost of £500,000 each, as the new Wimpy seeks to rid itself the "greasy spoon" image of the 1970s.

Edelman decided to move Wimpy from its former defensive attitude towards consumers and the media towards a more positive attitude to promote the company's many changes and benefits.

Each opening was given news value to attract media attention, while support activity with a local project or charity ensured follow-up publicity with the message that a Wimpy was not only fun but good for the neighbourhood.

In Liverpool, for example, an elephant parade celebrated the opening of a restaurant owned under franchise by an Indian businessman. In Basingstoke, two schoolchildren became VIPs for the day, arriving in a Rolls-Royce to open the town's new Wimpy.

Both events attracted media coverage. So did fund-raising, which led to the Mr Wimpy character presenting giant cheques to local organisations.

Wimpy believes that the message of its success and the company's care and concern for people is now reaching large audiences through increased media coverage both nationally and regionally.

This variety and flexibility of techniques in reaching different consumer groups is, says Ms Salvoni of Paragon Communications, one of the strengths of consumer PR.

"Whatever form it takes, however, a cohesive strategic approach to consumer public relations will deliver very real benefits in terms of developing, sustaining or even changing completely consumer attitudes which ultimately determine success or failure in the market place," she adds.

David Churchill

John Drysdale

Paragon Communications commissioned outfits designed by Anthony Price to reflect a fashionable image of the British Telecom Inphone Plastic Collection

Audits

Step-by-step guide

HOW, exactly, does a company determine what type of corporate image it has and what can be done about it?

That is the key question facing more and more companies which recognise the need for improved corporate communications but do not know how to go about achieving their desired aims with various target groups.

A new concept is now emerging among public relations consultancies, and it is a far cry from the "gin and tonic" image of only a few short years ago. This is the so-called communications audit of a company's PR needs and problems.

Unfortunately, like many new business ideas and "buzz words," communications audits have been adopted by some consultancies as the latest craze—often without any of the in-depth knowledge needed to make them work.

"Many consultants talk to a handful of press people, telephone an analyst or two and then interview the clients' board of directors, culling the best quotes before calling the whole thing a communications audit," asserts Mr Reginald Watts, former chairman of Burson-Marsteller in the UK; he now runs his own consultancy, Reginald Watts Associates.

Equally, he adds, "other consultants go out, do a piece of opinion-leader research—often using a market research company—and call that a communications audit." Mr Watts says that "this type of sloppy terminology debases the currency, disappoints the client, and destroys our credibility."

The type of audit carried out by Mr Watts, who is the acknowledged industry "guru" on this subject, and his colleagues is a highly technical exercise, often costing up to £25,000 for a full corporate "positioning" audit.

Interviews with target groups are carried out against an agreed list of topics by PR professionals who apply subjective judgments at each stage. The replies are analysed to assess where recurring phrases and words are used about the company.

A technique called the "Preferred Strategy Plan" is then used. Four or five different positioning strategies are developed, based on an assessment of responses, media coverage, public speeches by senior managers, printed material, and market research.

These strategies evolve against the corporate personality and internal culture of the company compared with the external perceptions and its competitive strategy.

"Such strategies are then checked against the likelihood of whether we can communicate that 'positioning' by normal advertising, sponsorship, public relations in below-the-line techniques," adds Mr Watts.

The final objective of a modern corporate communications unit, he believes, is to establish the client company clearly in its market, so that if its image is monitored through normal market research the responses will be those the client wants.

A communications audit is not an enterprise to be undertaken lightly, however. "A client needs guts to embark on an audit if he thinks his communications situation is poor," says Mr Frank Barnard, chairman of the Extel Consultancy. "Interviews uncover unpleasant truths and wounding misconceptions."

In addition, he believes that carrying out any audit requires top management commitment. "It's no good saying 'Let's do one, see what it uncovers and then we'll decide whether we'll disclose the results'," he says.

"An audit is a management discipline and a rare opportunity to get a warts-and-all objective insight into a company's communications opportunities and hazards."

Not all companies need or are prepared to take part in such communications audits. Yet they still need to find and use a consultancy to help them reach their target groups. Many appear bemused at the whole process, however.

There are several basic steps to be taken:

● What is the communications problem that has been identified to necessitate the help of consultants? You should have as clear an idea as possible of which targets you think you should try to reach even before you make the first contact with a consultancy.

● Make use of the available information on consultancies to help you to make a preliminary choice. The Public Relations Consultants' Association keeps a list of members specialising in particular types of PR, while the Public Relations Yearbook (published by the Financial Times for the PRCA) lists all major consultancies in some detail.

● At this stage you should try to narrow the choice by considering the options that might arise from using either a large or small consultancy. You could also consider whether—if based outside London—a regional consultancy might be more suitable.

● Then consider whether you want to employ a full-service consultancy—one ready to tackle every area of corporate communications—or a specialist providing, for example, Parliamentary lobbying.

● Having drawn up a short list of consultancies, meet them face to face. This should involve more than one meeting, since you will first need to establish their "credentials"—what they have already achieved for others—and then to discuss your own problems in more detail.

At subsequent meetings the proceedings may become more difficult. As they do not usually expect you to pay for the presentation consultants do not want to reveal their full creative ideas, which take time and cost money to prepare.

So you will have to take a lot on trust.

● At this stage discuss money. Fees and budgets can vary from as little as £5,000 to as much as £500,000, depending on the size of the consultancy and the amount of work required to be done. Broadly, you will get as much as you pay for.

● Ascertain the methods the consultancy plans to apply so as to measure the likely effectiveness of their PR proposals against your real communications needs.

Column inches in newspapers are not always a good way to achieve communications targets. So much depends on the newspapers or periodicals and their readership.

Remember that PR consultancies are, in the main, staffed by professional people whom you are paying to perform a specialist task to the best of their ability. Do not, therefore, use your consultancy as an odd-job agency by, for example, interrupting their important work on your behalf so that a PR executive can send flowers to your wife or find Cup Final or theatre tickets at the drop of a hat.

D. C.

Corporate Communications 5

Investors

More soundings by boardrooms

FEW BOARDROOMS in Britain can rest complacent that they will not be the target of an unwelcome takeover bid.

The increase in the level of takeover activity—and the size of some of the mighty that have fallen—has shaken senior management into a careful reappraisal of their communications with shareholders. The result has been a rapid growth in investor relations activity, an aspect of corporate communications which is well established in the US but is relatively new in the UK.

Investor relations is a crucial extension to the more general financial PR programmes which companies implement. It adopts many of the same techniques but targets its communications more specifically and directly to the investment community. Investor relations includes communications with the financial press and with investment analysts as the two most important sources of investment advice, but then goes much further, encouraging companies to take a direct responsibility for all aspects of its communications with shareholders and potential investors.

In the US, a much higher proportion of the population owns shares and takes an active interest in their investments. Shareholder registers are much longer and the scale of investor relations activity much higher.

Most US corporations will have an Investor Relations Executive whose task is to ensure that shareholders and potential investors have a proper understanding of the company, its financial position, corporate strategy and future prospects — an appreciation which they hope will then be reflected in a fair valuation of the company's shares on the stock market.

UK shareholders, in contrast, have, until recently, been a docile group. A few characters turn up regularly to the annual general meeting until the chairman is able to recognise them by name. A couple of directors, usually the chairman and finance director, will accept invitations from firms of stockbrokers to meet a handful of their institutional clients over lunch.

Occasionally, a more formal presentation might be given to a larger gathering of institutional shareholders but that, by and large, has been the extent of investor relations activity in the UK.

The picture is changing rapidly, however. Institutions are under great pressure to maximise the performance of the funds they manage and take an increasingly active interest in their investments. They will even consider ousting a chairman or chief executive who is judged to have failed in his duties. The recession left many companies with stock market valuations significantly below asset value and the spate of takeovers, with offers at a large premium to the market price have often been difficult for shareholders to resist.

At the same time, the Big Bang is radically changing the way the City operates, opening up the financial markets to a greater degree of competition and introducing many powerful new international players.

The realignments and mergers between powerful financial institutions are leaving many companies uncertain as to how their traditional relationship with their financial advisers will develop.

The introduction of negotiated commissions in October is expected to result in a two-tier market with shares in the largest companies being traded globally and competing with similar companies quoted on other stock exchanges around the world. There will be fewer market makers in the remaining 2,000 quoted stocks and so these companies will have to assume a greater responsibility for their own direct programmes of communications with investors.

Whether a company is in the first or second tier of the market, there are certain investor relations activities which they should all implement. Firstly, it is necessary to undertake a careful analysis of the shareholder register which is then updated regularly. The analysis would include a list of the major institutional shareholders, the proportion of shares held by institutions as opposed to the private investor, a monitoring of significant share transactions and of which stockbrokers deal in the largest quantities of stock.

A carefully designed City research study should be undertaken to discover levels of awareness about a company, which can then be repeated, probably annually, to track any changes in investor attitudes.

With the shareholder analysis and research completed, a company can then prepare a well targeted investor relations programme which maximises the use of valuable management time. Obviously it is impossible for senior management to meet directly with every shareholder but a company can certainly ensure that during the financial calendar it meets with the appropriate fund managers responsible for all its major shareholdings.

If a company is going through a particularly active period or feels there has been a significant change in corporate strategy which needs to be conveyed to a wider investment audience, it will need to organise a more formal presentation to investors, a roadshow, which can be taken to the major financial centres, not only in the UK but in overseas financial markets, if a company expects there to be considerable investor interest.

Investor relations activities tend to focus on communication with institutional investors, because of their greater concentration of shareholdings. However, the private investor is also included in any investor relations programme. Some companies focus on the agm as the most ideal opportunity to communicate directly with the small investor and respond by putting on a presentation about the company's performance during the year to supplement the information contained in the annual report.

The annual report is probably the most important communications tool that a company has. An important aspect of any IR programme would be to ensure that the annual report is well designed and gives a clear picture of the company's key development during the year in the operational review, and that the financial information is laid out with clarity.

This can be supplemented during the year with other communications such as letters to shareholders or a newsletter which gives an update of recent corporate developments of interest to investors.

Another important aspect of investor relations in addition to the actual programme of communications is to prepare contingency plans in anticipation of a period of significant corporate activity, particularly a major merger or acquisition. Such events when they do happen, move very fast and require huge amounts of executive time.

There are a number of steps which can be taken however, to improve the company's state of preparedness. These include ensuring listing particulars are up to date and undertaking a detailed review of a company's performance over several years to have ready all necessary facts and figures that need marshalling to support an argument.

In itself, an investor relations programme cannot guarantee a higher share price or continuing independence if a company's performance does not justify either. However, sensible and well planned investor relations programmes can ensure that investment decisions are taken against a proper informational background. And this can only assist companies in the process of efficient capital formation.

Alison Hogan

Employees

Team briefing makes its mark

PEOPLE WORK better if they are kept adequately and properly informed. Industrial relations can be enhanced if there is a successful information flow between management and workforce. Even bad news is more likely to be accepted if it is communicated through channels which are trusted.

Advocates of employee communications make all these claims in support of their belief that the properly organised provision of information is a particularly important feature of business life. But, like so many apparently obvious ideas, it has to be implemented skilfully.

Only a minority of employers would take public pride in deliberately not keeping their employees informed of developments. But some of the traditional means of doing so miss enormous opportunities and can be counter-productive.

The starting point for all positive employee communication strategies is that work forms a major part of people's lives. They deserve and want to be properly informed about issues which affect them and their employer. And employers need to keep workers informed because people will work at their best—and most profitably—only if they feel that their contribution really counts towards the success or failure of the organisation.

Employers who seek to improve their internal communications often begin by commissioning attitude surveys. These provide information about the outlook of employees towards selected issues, including existing communications strategies, and identify areas where priority action is necessary.

The methods then adopted for improving internal communications vary with the size and style of an organisation. Many larger employers invest considerable resources in company newspapers, and are finding increasingly that these must allow for the open and balanced treatment of controversial issues to avoid the risk of the publications being regarded by staff as "management propaganda."

Another large-scale communications method which is growing in popularity is the tailor-made company video, typically to explain the annual results in a large organisation.

Many companies have found, however, that even the best of written or videoed reports have to be supplemented by further action. This has led to a growth in consultative committees and more ambitious variants like quality circles. Another increasingly popular method of communications is team briefing.

Under a team briefing system, managers and supervisors keep employers informed of developments within the organisation through regular small group meetings.

The Industrial Society has played a major part in developing team briefing techniques in British industry, and offers help in structuring systems and one or two day training courses for briefers.

In the society's experience team briefing brings varied benefits including less misunderstanding about why developments are taking place, increased co-operation with change, improved commitment from employees, reinforcement of the role of management and a reduction in the chance of damaging rumours spreading.

Employers are sometimes concerned that team briefing, and other communication techniques, might meet opposition from trade union representatives and cause industrial relations problems. There is a danger of unions believing that company communications tactics are an attempt to by-pass or influence established negotiating procedures.

The Industrial Society says that from its experience, however, most trade union representatives welcome their members being well informed, and that briefing does not undermine trade union communications and representation rights.

Another Industrial Society initiative during Industry Year is a campaign to encourage companies to communicate to employees information about the importance of industry to wider society. This includes trying to create a greater sense of common purpose within organisations — with improved communications again playing a crucial role in bringing this about.

The concept of common purpose is essential to the successful outcome of any company communications strategy. No amount of sophisticated information cascades will make full impact on employees who feel distant from the main aims and objectives of their company.

Alan Pike

Lobbying

Word in the right ear

THERE CAN be no company in the country that is not alive to the importance of the machinations of central and local government, even multinational government (EEC), in influencing its profitability. As a result political advice, or lobbying, to employ the American format, has become one of the great growth sectors of public relations.

It would be a modest PR company that did not offer its clients some assistance in this field, even if the assistance consists of little more than a tame MP, called in, when needed, to arrange lunches at the House of Commons or to offer guidance on parliamentary procedures.

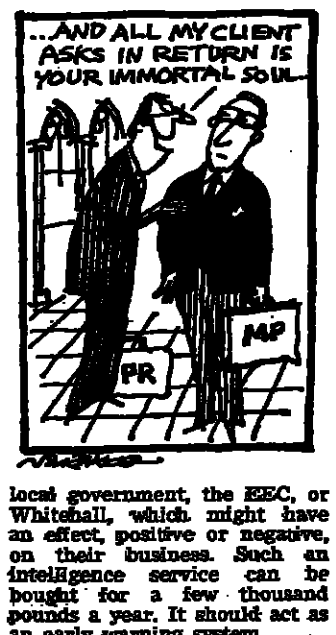
But virtually everyone involved in this mysterious, complex and muddled area now agrees that the old-fashioned approach is almost useless. There are specialist companies, like Public Policy Consultants, a group of 16 individuals who have all had experience of working in Whitehall or Parliament, which believes that the traditional PF companies just cannot begin to understand how to influence government.

For PPC the task is to try to identify the key figures, usually civil servants, before any proposed legislation has reached a minister's in-tray. Most lobbying campaigns are doomed to failure because the machinery of government is rolling, and is then all but impossible to stop.

Yet some traditional PR companies have been remarkably quick to adapt to the political challenge. The Government's most surprising defeat this year was over the Bill for Sunday trading. Extel, a mainstream company which offers parliamentary PR as just one part of its service, set up the campaign against Sunday trading, and then persuaded all the varied opposers, from the Church of England, through the shop-workers unions, to retail trade bodies, to choose it to co-ordinate the defence for a fee.

Unlike many conventional campaigns, Extel bothered little with contacting MPs at the House: instead it arranged meetings with them in their constituencies where they were left in no doubt as to the strength of local opposition. After around 230 such meetings enough Conservative MPs got the message. Even so Extel would not claim that it killed the bill. "We helped to make it a live and contentious issue: we did not defeat the Government."

Most public affairs PR is much more mundane — the informing of clients of any developments in Parliament, party political organisations,



local government, the EEC, or Whitehall, which might have an effect, positive or negative, on their business. Such an intelligence service can be bought for a few thousand pounds a year. It should act as an early warning system.

At one remove from this monitoring programme is the supply of information to MPs, keeping them up to date with the progress of companies in their constituency, or in industries in which they are known to take an interest. Much of this data probably ends up in the waste paper basket, although MPs are fairly conscientious and will at least appear at lunches or cocktail parties organised by PRs to make their client's case.

But, especially in the current Parliament, with a huge government majority, the importance of the individual MP is very limited. A hung Parliament would give political PR a tremendous boost: in the short term they are concentrating their attention on Whitehall, where the major decisions are made.

Civil servants are slowly emerging from their shells, and are not averse to being lobbied. It is here that the newer generation of political PR consultants think they have the edge on their older rivals with their ties to conventional MPs, often one Tory, one Labour; perhaps a member of the Lords; and an ex-employee of Conservative Central Office. Undoubtedly, the returns from organising tea on the terrace are likely to be limited to the client feeling that he has been close to the corridors of power rather than the achievement of any effective putting of his case in Parliament.

There are perhaps half a dozen consultancies staffed by youngish people who grew up inside politics and who think they know the right strings to pull at the appropriate time. Apart from PPC they include GJW and Sallingbury.

Then there is the generation of slightly more mature specialists, including Political Communication and David Wedgwood. And, in profusion, the major PR companies who are proud of their political work, such as Charles Barker, Watney and Powell and Good Relations Public Affairs.

The PR companies can all quote examples of where their intervention has benefited clients, be it Political Communications success in persuading the Government to allow its client, Singapore Airlines, to fly to Manchester; David Wedgwood's in getting the duty paid by light aircraft for their aviation fuel reduced; or Good Relations in helping client GKN to a £400m government order for its armed personnel carrier.

Some companies maintain that they warded off a potential danger, such as Sallingbury's lobbying which perhaps deterred the Chancellor of the Exchequer from imposing VAT on books and newspapers. This shows the advantage of getting in early; a similar campaign attempting to persuade the Chancellor to remove the VAT which he had already announced he was levying on "take-away" foods, failed because ministers are reluctant to be seen to be bowing to outside pressures.

The advent of a Labour Government, or a hung Parliament, should produce much more work for PR companies: but it could also inhibit their operations. Parliament is very suspicious about the growing visibility of "strangers" inside its walls, and that includes the PR consultants.

Last year a House of Commons committee investigated MPs outside interests but, rather surprisingly, came up with no important recommendations: MPs are still under no commitment to declare their links with PR companies. There have, in fact, been few scandals in recent years but an interventionist Government is likely to demand more light on sometimes murky links.

The other development is the arrival of pressure groups, and special interest lobbies. Traditional companies will still need advice, but more clients are likely to be trade unions, local government authorities, competitors for Channel Tunnel contracts, or for work on new airports, consortia anxious to get the ear of Government. This is one area of PR where the old-fashioned techniques and approaches seem to be fast getting out of date.

Antony Thorncroft

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Rolls-Royce Motors

Pulling slowly out of a patrician past

Nick Garnett on the UK car maker's search for more open management

"PRIDE OF Britain, envy of the world." So trumpets one of the many adverts for the pieces of costly hardware that roll off the line at Rolls-Royce Motors.

The words ring with that mixture of subdued chest beating and quiet arrogance typical of the purveyor of fine motor cars to Britain's Royal Family and the world's very rich. Municipal signs transmit the same message "Home of the Best Car in the World" greets visitors to Rolls-Royce's home town of Crewe.

Not so long ago these slogans were looking very ragged. At the end of 1983 the manual workforce at the company's production site in the Cheshire industrial town walked out for the first time in 23 years. Car sales had tumbled from more than 3,300 in the late 1970s to 2,300 that year. In the wake of this, short-time working, low pay rises and hefty redundancies had proved too much for the workforce.

What struck observers most was not that the 2,800 shopfloor workers downed tools for five weeks. It was the sullenness outside the factory gates and the animosity towards the company bubbling to the surface in every conversation.

Something was very wrong in an enterprise where resentment sought such expression and where the management had conspicuously failed to carry the workforce with it during a very difficult period of the company's life.

"There's a true class system which operates right through the plant," one senior shop steward said on the picket lines. It was as if the plant's social structure mirrored the society into which Rolls-Royce sells its still partially handbuilt cars.

But if dated personnel systems had at last caught up with Rolls-Royce so had its rather outmoded manufacturing methods which had loaded up the company's cost base and to which both management and the workforce had colluded.

Something had to change, not least because people were no longer falling over themselves to buy a "Roller" or Bentley.

Some company chairmen who sacrificed a Rolls during the darkest days of the recession have not returned to the fold. Yearly sales at 2,400 remain more than a thousand below predictions made two years ago and look puny against the burgeoning ranks of millionaires. There are a million $ millionaires in the US alone. Second-hand values too are no longer the hedge against inflation they once were

As a result, Rolls-Royce, a Vickers subsidiary, has been forced to take a long look at itself and try to begin the transformation into a marketing rather than production led company, more willing to cut its inflated manufacturing costs, replace ineffectual pay systems, address the problem of workflow in the company's complex machine shop and modify its culture.

Traumatic

Some of this was on the way before the dispute but that traumatic event, dragging a company whose rockbed was loyalty through some sticky if shallow mud, encouraged the pace to change. The task of leadership has fallen to Dick Perry who came to Crewe in 1982 from the Mulliner-Park Ward coachbuilding business (building bodies for the lowest volume Rolls-Royce models like the Corniche and Continental) and who took over the reins as chief executive two years later.

There are now other "outsiders" in key positions, notably ex-Peugeot Talbot man, Peter Ward, managing director for sales and marketing, and Mike Dunn, the engineering director from Ford. Perry himself is a former managing director of what was Leyland Cars. Thus the old patrician flavour of management has been at least diluted. George Fenn, Perry's predecessor who took early retirement in 1984, was once described by George Ellis, the plant convenor, as an absolute gentleman, but was hardly ever seen on the shopfloor.

Change is coming only slowly and slower than some observers believe is necessary. But change there is.

In the past two years a company-wide bonus on output has displaced a piecework system the management concedes never worked properly since Crewe started up as an aero engine plant in 1938.

Pieceworking needs the sort of organised workflow Rolls never possessed. A worker who cannot meet targets because of organisational chaos in the supply of components on the shopfloor either fails to receive the bonus or browbeats a quiescent management into getting the money anyway.

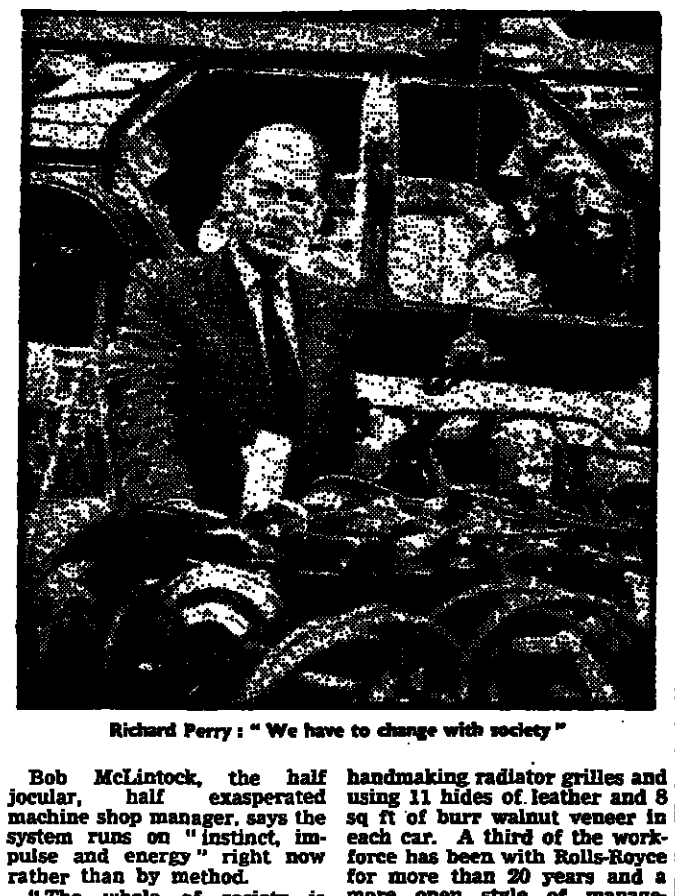
At Rolls the payments were made, the system—never suited to the building of a car with so many fiddly little pieces—was abused day in, day out.

Paying out an average £13 a week the new system has helped even out a notoriously lumpy stop-start rhythm in workflow. "We had to find a method of payment better able to adjust output through changes in pay levels rather than through numbers employed," says Peter Hill, director of personnel and systems. Bonus payments are now made on actual output.

The large machine shop which was characterised by indisciplined organisation more fitting to a jobbing engineer, and the stores and assembly areas, are getting a taste of workflow systems and computers. Now being introduced with the help of outside consultants, these should be up and running by the end of next year. The intention is to get the right bits to the right part of the shopfloor at the right time and provide the information that tells everyone that is happening.

That will help the company generate a steadier pulse in its manufacturing and improve forecasting. Among other benefits it will allow Rolls at least to tabulate how much inventory it holds, a piece of information not yet in the grasp of its managers.

Much of this has come as something of a culture shock. Modern workflow systems "contradict every culture here," says Hill. Manufacturing at Rolls-Royce is carried out in a rather loosely organised way; shortages of in-house manufactured components was usually overcome by foremen willing to cajole others to break off from what they were doing, no matter what the cost in disruption, to manufacture a one-off piece.


Richard Perry: "We have to change with society"

Bob McLintock, the half jocular, half exasperated machine shop manager, says the system runs on "instinct, impulse and energy" right now rather than by method.

"The whole of society is changing and we have to change with it," says Perry. Deeply entrenched and frequently acid divisions between foreman and lineworkers who, until recently, were required to eat in separate canteens, between manual and staff employees and between rather remote directors and the shopfloor are being partially removed. One self-service cafeteria now replaces three levels of canteen. Shop stewards and foremen are sent off together on training courses, an unheard of approach in a once tightly-stratified company.

The consultation system introduced by David Plastow when he was head of Rolls-Royce during the first half of the 1970s before taking over as managing director and chief executive of Vickers, has also been widened into more of a dialogue.

Plastow pays tribute to the present management; it has accepted that the pressures on the company have tightened, thus spurring change for the better. It is using some systems which were either not around in the 1970s or which a successful company selling all it then made could afford to ignore.

It can only be change of a type, though, for a company that still takes pride in polishing the Spirit of Ecstacy mascot with powdered cherry stones, handmaking radiator grilles and using 11 hides of leather and 8 sq ft of burr walnut veneer in each car. A third of the workforce has been with Rolls-Royce for more than 20 years and a more open style of management is foreign to many of them.

Traditional management and workforce conservatism will inevitably remain a strong motivator in the behaviour of a company whose products move on the line only once an hour.

Thirteen unions—the Amalgamated Union of Engineering Workers is by far the largest—are still represented on the shop floor. Job demarcation is also still pronounced. "If I had to talk about diluting demarcation now with our members I'd be out of office," says Ellis.

A joint management union team is also looking at the difficult question of pay differentials which remain an issue at Rolls-Royce. Labourers earn on average £135 a week with bonus, skilled machinists £175, and foremen £226.

"We are right in being cautious no matter how much you want to get on with things," says Perry.

Jack Goodwin, the longest serving employee with 45 years' service in 1984, had a ride that year in one of the Rolls he helps make as part of a company scheme introduced to give all employees a drive in one of its cars. The scheme does not allow them actually to drive the cars of course. The company insists on providing a chauffeur.

Personnel selection

How to spot a performer

Jerome Burne reports that the correct approach can save money

BRITISH COMPANIES are wasting large amounts of money and being saddled with unhappy personnel through hiring the wrong people. Not only that but they are ignoring a number of techniques that could help them to find the right ones.

That is the conclusion of a paper published last month in the Journal of Occupational Psychology by Dr Ivan Robertson and Peter Makin. They sent questionnaires to a third of the companies on the Times 1000 list asking them how they selected their employees. By far the great majority of the 36 per cent which replied said that they used only interviews plus references, both of which have been consistently found to be very poor ways of predicting how well someone will subsequently perform.

Stories about the arbitrary nature of interviews are legion. One large tobacco company has a director who only asks prospective senior managers one question: "Are you interested in DIY?" Those who are fail. Such methods make for good anecdotes but they could be costing the company a fortune.

Robertson, a lecturer in organisational psychology at the University of Manchester Institute of Science and Technology, describes how psychologists have recently developed something called utility theory which allows companies to put a monetary value on the cost of hiring wrong people. This is usually about 10 times more than the additional cost of setting up a more sophisticated selection procedure.

In one example he gave of an imaginary firm with 12,000 employees, which made 415 promotions a year, the saving from doubling the efficiency of the selection procedure was estimated at £698,000 set against a cost of £77,040 for the assessment programme.

"Psychologists have now developed several methods which are really quite good at predicting how well people will do at a certain job," he says. "They are at least twice as accurate as guaging from an interview and used together they can be three times as good but they are just not being used."

References, for example, can be improved by asking people factual questions, but this is rarely done. "People are happy to fudge when asked to write generally but they are less likely to tell a blatant lie when asked a direct question."

Another method is the personality test, used by only 4 per cent of respondents. This involves first giving personality tests to all the employees already doing the type of job for which there is to be further recruitment and then picking out the personality profile of the successful people in that job.

This can sometimes throw up surprising results. Accountants, for example, were found most commonly to have the following characteristics: warm hearted and easy going, prudent and serious, not socially bold and more experimenting than conservative. Candidates with these qualities therefore would be worth special attention.

On its own it is better than the interview but not as good, however, as the cognitive test—better known as the IQ test. Whatever bad reputation it may have gained during the battle over comprehensive education, it is actually quite a reliable predictor of how well a person will perform in a certain job once the requirements of that job have been clearly defined.

Psychologists have constructed a scale from 1 to 0 to describe how reliable these tests are at predicting who will do well. 1.0 means a method that is right every time while 0 indicates it is no better than chance. The interview has been found to score 0.2 — which makes it only slightly better than tossing a coin — while the cognitive test is 0.4.

This is about the level achieved by the so called biodata technique, whereby a person fills in a questionnaire about his or her life style and attitudes — certain patterns emerge which are associated with doing certain jobs well.

The "deluxe" method of selection is the assessment centre. This may use a combination of the above methods plus what is known as testing on "core features." The essential elements of a job are pinpointed and then the applicant is asked to perform them. "For example," says Robertson, "lecturers are often appointed on the basis of their research rather than whether they can lecture. So we ask them to give a short one. It sounds obvious but it's amazing how rarely it is done."

What all these methods require is some degree of psychological expertise to administer and assess the tests. Robertson denies that he was simply mounting a job creation scheme for occupational psychologists. "We can now say that if firms take our advice they will be more efficient and have a more psychologically healthy workforce. They also benefit from having to define more closely just what it is that they are looking for."

Interviews are still widely used because they are the simplest and the cheapest and do not require any outside involvement. Also, unlike the Americans, the British are still a bit weary of what they see as scientific hocus pocus. One firm in the survey wasn't worried about hocus pocus, however — it used astrology.

Business courses

Mergers and acquisitions: strategic tax and accounting issues, London. July 18. Fee: £190 + VAT. Details from Legal Studies & Services, IBC House, Canada Road, Byfleet, Weybridge, Surrey KT14 7JL. Tel: 09323 55244.

First steps to assertiveness: an introduction to the skills of Self assertion, London. July 15. Fee: £75. Details from the secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH.

'86 Computers in personnel: "From potential to performance," London. July 8-10. Fee: IPM members/IPM subscribers £419.75; non-members £460. Details from course and conference department, Institute of Personnel Management, IPM House, Camp Road, London SW19 4UW. Tel: 01-946 9100.

Buy design, New York City. August 8-9. Fee $360 (to include dinner and cruise). Details from George Little Management, 2 Park Avenue, Suite 1100, New York, NY 10016. Tel: 0101 212 686 6070.

Tax and benefit planning for personal pensions, London. July 1. Fee: ESC members £156.40; non-members £184. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 822711.

THE ARTS

Architecture/Colin Amery

Stockley Park reclamation is important pointer

The building in the park was once the apogee of British architectural and landscape achievement. In the 18th century there seemed to be a profound understanding of the unity of Man and Nature. In the greatest works of Capability Brown and Humphrey Repton the art of landscape design in relation to architecture often reached the highest levels of art. The wish to utilise the landscape of England, in itself often small scale and insignificant, as an element of a larger idealised art form was a common one and something totally appreciated by landowners. We seem to have lost the sense of landscape and architecture as two elements most likely to raise our visual understanding—although on the smaller scale of gardening it remains a strong current of British creativity.

The discovery that on the fringes of Heathrow some 350 acres of derelict land are being transformed into a park and business area, based on the premise that a beautiful landscape is good for commerce, is an encouraging sign of an important revival. Stockley Park was declared open last Friday by the Prince of Wales. Symbolically, no ribbons were cut and no stones laid. Instead the environmentally conscious *Prince pressed a button to start* an elegant waterfall between two new man-made lakes.

In the last 13 months the area has been the scene of incredibly dramatic changes. Earth-moving on the scale of the creation of the Polders has relocated some 4.5m cubic feet of landfill from the north to the south of the site. The reclamation of the land has made it possible to build commercial development on some 25 per cent of the site, leaving 230 acres to be regenerated as park and golf course.

At Stockley Park the buildings are rising. They are designed by Arup Associates and have a great deal to commend them for economy and elegance.

The task for the architects was a difficult one. After a tour of American business parks in Silicon Valley and other locations they were asked by the developers to design multi-purpose commercial buildings for high technology operations, that could be used for laboratory, trading, distribution and similar functions. The difficulty of the design task is to define the very nature of modern industry. Planning rules and regulations are lagging behind the real needs of development. Industry is no longer an environmentally damaging activity, it is often not so far removed from the average "office" space. The sort of research and development needed for high technology industry demands simple, flexible space that is well serviced.

The Arup Associates solution has been to design two- and three-storey pavilions with pitched slate roofs on a ground plan of 60 sq ft so that squares and rectangles can be combined to produce a variety of arrangements. The sun-shading projections from the roofs lend the pavilions an oriental aspect and the smooth grey and white aluminium panels are calm and dignified. Like so much of the work of Arup Associates these buildings have a simplicity that is refreshing and a careful relationship to the lakes and trees that is rewarding.

Much attention has been lavished on the centrally located entrance areas. Oak screens and doors and top light will be complemented in some of the pavilions by specially commissioned areas of stained and coloured glass. The commissioning of sculptures and landscape features will form an important part of the whole scheme.

One of the first landscaped courts of Stockley Business Park, an inspiring regeneration of derelict land

The appearance of Stockley Park at the moment gives only a modest clue to the future development. The Arup fast build shell-and-core pavilions can be fitted out as the tenants require and there will be an unusual level of design control. The development of the park itself offers the promise of an 18-hole golf course and the planting of 100,000 trees. The landscape is the responsibility of Charles Funke and Bernard Ede Associates—the latter has cut his teeth on the extensive landscape of Milton Keynes. At the centre of the new park the developer will provide extensive new sports buildings and a small shopping facility.

The whole story of Stockley Park is an important one in terms of the kind of partnership that is on offer between local authorities and private developers. The London Borough of Hillingdon will, in this case, gain 100 acres of commercial development and a new 250 acre public park provided by the developer. In terms of the reclamation of the land that had, since the 1930s, been used as a rubbish dump on exhausted gravel pits, it offers enormous public gains.

There are some thousands of acres of derelict land around our cities that can be reclaimed in this way and landscaped to make the kind of green environments that the new world of research and development badly needs. Architecturally the opportunities are equally challenging. Many a business park in the US is little more than a collection of single storey blocks, their roofs cluttered with mechanical services and a *few trees. A fully planned park* needs the most intelligent and creative design and it is excellent to report that Stockley Park is set to pioneer a raising of standards.

The Entertainer/Shaftesbury

Michael Coveney

"State of the nation" plays are two a penny these days but, even 30 years ago, John Osborne's *The Entertainer* takes a lot of beating. While it is certainly a period piece, the play still thrives as a dramatic document of a nation going to the dogs after a sustained period of disenchanting government. Old Billy Rice, Archie's father, regrets "tarts and television" in the pubs, the collapse of good chauvinist manners, bloody foreigners and Welfare State spongers. Every now and then he sings a hymn.

Billy's grand-daughter is teaching art classes and demonstrating in Trafalgar Square; her brothers have each responded differently to military call-up — Mick is "out there" during the Suez crisis, Frank has said no and served six months; and Archie is playing the local theatre in a show that demonstrates all too painfully why the music hall is dying.

Osborne brilliantly transformed the music hall act of Archie Rice into a wash of affectionate sleaze punctuating scenes of raw and compelling family crisis and also provided Laurence Olivier with his greatest triumph in a contemporary play. "You don't think I'm real, do you? Well I'm not," says Archie in front of the garish backcloth. His *family are bonkers, drunks,* beset with problems nobody ever heard of. Thank God, like Archie, they're "normal."

In Robin Lefèvre's Leicester Haymarket production at the Shaftesbury we have the contours merely of the play's aggressive, gut-wrenching potential. Comparisons are odious, and anyway I've only seen Olivier's Archie on film, but Peter Bowles, I'm afraid, is absolutely nowhere near the heart of this role. Archie's livid energy and nastiness are substituted with the bland suburban boorishness of a second-hand car salesman, an impression underpinned by Mr Bowles's arriviste executive hairstyle. Archie's leery satanic vulgarity is replaced in the patter scenes with a blank, enervated ventriloquist's dummy demeanour. Mr Bowles paints on unconvincing little tics, like his arched eyebrows, his studied finical cough, his tensed mouth and occasionally popping eyes.

Alastair Muir

Peter Bowles

More crucially, there is no desperation and no emotional expansion. After news of Mick's death, Archie completes a devastating scene of drunken soul-baring with an elemental, spontaneous delivery of a Negro spiritual, a moment of rare spiritual candour and one of modern drama's finest curtains. Mr Bowles sounds as if he's been told the draught Bass is "off" for the night. He strikes me as a Babycham and Martini man, anyway.

The production is so slow to get moving that, at Saturday's matinée, I endured the curious sensation of watching elderly patrons on either side of me drop off to sleep *in the first 10 minutes.* Frank Middlemass is a lovely actor, but he misses the briskness and celebratory lamentation of old Billy, turning all that into something precious and womanish.

The muddled opening sequence is partly due to the disastrous design of Martin Johns, which confines the actors within the false proscenium half-way up the stage for most of the evening. Even in the fourth row, they seem to be signalling from the end of the pier. Archie played large and unforgiving half-empty barns, but the play needs a more intimate evocation of that grim reality than is possible in Bertie Crewe's pink wedding cake extravaganza of an auditorium.

The one indisputable success is Sylvia Syms's abused and absurdly loyal Phoebe Rice. It is not her fault that the final scene where she comes to collect Archie fails to carry a proper punch. Miss Syms, who has shown in a Cambridge *Vortex* what a fine actress she is in demanding roles, transmits a ravaged inner beauty, destroyed but not quite, like Archie, dead behind the eyes. Her tentatively melodic version of "The Boy I Love is Up in the Gallery" is the show's highlight and says everything Osborne could dream of saying about the importance of those music hall songs for a public threatened with the rape of its collective cultural memory.

Circe and Bravo/Hampstead Theatre

Michael Coveney

Donald Freed is an American playwright and screenwriter who keeps plugging away at CIA conspiracies and White House cover-ups, to judge by his liberal showbiz track record. In *Circe and Bravo* he distils his post-Watergate zeal into a cat and mouse game between America's First Lady and her Secret Service bodyguard in the President's Camp David mountain home. The time is the 1980s, the First Lady played by Faye Dunaway, the director Harold Pinter.

Miss Dunaway, making her London stage debut, is a jittery and resentful Circe who only draws upon her siren characteristics after an extended bout of indulging what she calls her "logorrhoea and mythomania problem." The character is, in fact, under house arrest and identifies with all those sad First Ladies dimly discernible on the mantelpiece. Like Martha Mitchell, the political wife who spilled the beans, she knows where the bodies are buried in the rose garden.

Circe has been shut away as a drunk, a potential suicide, a whore. The house is on red alert, choppers circle above, the agent Bravo reports every utterance of Circe on his walkie-talkie and robotically pronounces the dinner menu in a black suit and reflector glasses.

One can see the Pinteresque appeal of it all to the director, but the writing is crushingly portentous and painfully embarrassing from the moment Circe spots in Bravo "an unlaid ghost" and proceeds to intone Bruce Springsteen and read a snatch of Nietzsche to the accompaniment of a blast of *Götterdämmerung.*

The reality of the imprisonment wears a bit thin when Bravo fails to report these aberrations back to base, but one's doubts really start accumulating when Circe claims, inaccurately, to be Helios's grand-daughter. The mythical allusions coagulate around a muted seduction scene, Miss Dunaway exchanging a clingy suit for the inevitable white towelling bath robe. Her Odysseus, however, a veteran of the Viet Nam as opposed to Trojan War, curls up in a Freudian bundle instead of rising to the sexual challenge.

The reversal of authority roles makes sense more predictably dramatic than persuasively logical, with Miss Dunaway, as startlingly attractive a live performer as I had dared to hope, melting from aggressive captive to dominating games mistress.

In the final stages, Stephen Jen's sinister attendant is hypnotised back to his Wisconsin youth. In a waking nightmare, he burns his hand on a poker, falls on a settee, removes his specs, opens his mouth in a silent scream, calls for "Mamma" (lots of American presidents called their wives "Mamma") and envelops Miss Dunaway in a chaste hug.

All gripping stuff, and we finally arrive at Mr Freed's poetic pietà and a catalogue of horrific consequences of nuclear war.

Sinopoli/Festival Hall

Dominic Gill

Giuseppe Sinopoli has obviously been doing a lot of work in front of the mirror lately to try to solve the problem of his left hand. No wit follows his right hand slavishly in symmetrical mirror-image only 80 per cent of the time, instead of all the time—but that is not yet quite enough to make his ensemble of conductor's gesture entirely convincing. But in Respighi's *Fountains of Rome*, which opened his programme with the Philharmonia Orchestra on Thursday, he managed with a certain dogged dexterity to keep at least the feet of the music dancing—an unusually effective and successful performance and one of the best from him that I've heard.

The concert was sponsored by Suntory; the Suntory Music Foundation commissioned *Orion and Pleiades* for cello and orchestra from Toru Takemitsu in 1984; the evening's modern work was *Orion and Pleiades*. It is an attractive piece, at 25 minutes perhaps a shade too long for its material, but sprinkled with many happy inspirations. The world is predominantly fin-de-siecle Oriental, and there are frequent stirrings (of clouds, stars and incense) that summon, rather than explicitly recall, early orchestral Skryabin. In the second movement there are unmistakable resonances of Messiaen — especially in the little wind-chorale which punctuates the movement. But *Orion and Pleiades* isn't derivative: it has its own, gentle sound-world, congenial, expressive, which hovers between Japan and Europe without firmly setting foot on either side. The soloist, beautifully poised, exquisitely ambiguous of timbre, was Tsuyoshi Tsutsumi.

The Chaikovsky Pathetique symphony which ended the evening was a puzzle. Sinopoli directed the finale in his lugubriously academic fashion really rather beautifully, charting its unrelenting and unillumined progress with remarkable tact and understanding. How he could achieve that, and yet have delivered the first three movements so woodenly, without a spark of dramatic sense or electric current, is quite beyond me. But Sinopoli is like that: he gets *parts* right, but rarely the whole. Anyone who can make the second episode of the second movement of the Pathetique sound like a jolly lullaby, as he did, is obviously having serious struggles with Chaikovsky, and deserves our sympathy more than our disapproval.

Makarova returns to London

Natalia Makarova will dance the role of Tatiana in a gala performance of John Cranko's ballet *Onegin* at the London Coliseum on July 16. The performance will be in aid of London Festival Ballet's development trust.

Bath Festival/Paul Driver

This year's Bath Festival, under the direction of Amelia Freedman, which ended yesterday, has been so richly stocked with events (many of them have been, or will be, broadcast by the BBC) that on both days I spent there no fewer than three main evening concerts clashed. Most of the foregoing evenings necessitated a choice of at least two important events. Often enough the choice has been of extremely diverse elements: Saturday night brought simultaneously the Philip Jones Brass Ensemble in a programme of dainties at the Theatre Royal, the Taverner Consort and Players in Bach's B minor Mass at Bath Abbey, Britten's *Curlew River* at Wells Cathedral, and a substantial piano recital by Peter Donohoe at the Guildhall. But it is ironic that this flowering of activity *should come just when efforts* are being made to axe part of the already small Arts department at Bath University.

The Festival's theme has been French music: it was tokened in soprano Elly Ameling's recital, with neat, attentive piano accompanist Rudolf Jansen, at the Theatre Royal on Friday night by a second half of *mélodies* by Debussy and Poulenc and *chansons* by Reynaldo Hahn and Satie. Miss Ameling began, though, with an intently serious rendering of two groups of Schubert lieder: five "Songs of Spring" and six utterances by "Girls in Love."

Her voice immediately revealed itself as of the brightest, clearest, and most able — her tones had a liquid freshness; her skill at varying the colour and inflection of phrases seemed limitless (if ultimately wilful); and although she had a wonderful vocal *presence,* she also suggested some great pure voice from the past, alluringly preserved on records.

She could not be faulted for accuracy of intonation or clarity of words; her legatos and top notes were discreetly thrilling. She made a profound communication, particularly of *Das Lied im Grünen, Suleika 1* and the veritably Wagnerian *Die junge Nonne.*

Nothing could have been in stronger contrast to Schubert lieder than Debussy's new-fangled discourse — supple, plastic, yet evanescent — in his *Trois Poèmes de Stéphane Mallarmé,* which Miss Ameling performed with very good intentions. Poulenc's *Fiançailles pour rire* came over as dull work monotonously sung; the concentration of the recital's first half was gradually dispersed in its second. A Spanish setting by Carlos Guastavino *(b 1912) — La rosa y el sauce,* which William Mann in his programme-note considers one of "the world's great songs" — had a definite impact. But the cabaret pieces by Satie and Hahn were unenlivening.

1986 Cheltenham Music Festival

One of the major themes in this year's Cheltenham International Festival of Music, which runs from July 5-20, is *Music and Musicians from West Coast America.* This will include works by Composers-in-residence Peter Racine Fricker, William Kraft and Lou Harrison.

Mozart's Vienna period 200 years on will be celebrated with several orchestral and chamber concerts, as will the centenary of Liszt's death with two piano recitals.

The morning recitals at the Pittville Pump Room include a series of string quartets by Cherubini, Bartok and Haydn.

Dance returns to the Festival in the newly refurbished Everyman Theatre with the jazz/modern dance collaboration *Pier Rides,* followed by performances of *Swan Lake.*

Commercial sponsorship has increased by over 60 per cent on 1985, and local councils and the Arts Council continue to give assistance.

British Theatre Association appeal

The British Theatre Association is launching an appeal for the sponsorship of vital equipment needed for its new home at Regent's College, Regent's Park.

Equipment needed ranges from a staircase—each stair can be sponsored—library and office furniture, shelving and a new sprung floor.

Musica Antiqua/St James's, Piccadilly

Richard Fairman

Musica Antiqua Köln is one of the leading German ensembles playing on original instruments. A series of prestigious recordings has won them a fine reputation and, as though to remind us of the fact, the first 10 minutes of this concert on Saturday had the audience blinded by flashlights as a press photographer tried to snap his subjects from every conceivable angle—a sort of baroque *son et lumière.*

Three of Bach's *Brandenburg Concertos* made up the programme, which was part of the Lufthansa Festival of Baroque Music being held at St James's Church, Piccadilly. Musica Antiqua flew in to give this one concert and (to judge from their speeds) could well have flown *out again the same evening.* Early practitioners of the authentic approach, such as Leonhardt, had already adopted faster tempi; but this group of young musicians are a new generation in high-speed playing.

In the third Concerto they hit what must be an extreme. So fast were the rushing semiquavers of the Allegro that the music no longer seemed to operate on its old intellectual level, allowing enjoyment of the balance of its textures and clever part-writing. Instead we were left with a physical burst of energy. Vivaldi has sounded like this before, for instance in the summer storms of the *Four Seasons*, but not usually Bach.

Either by design or necessity, their choice of fast speeds brought one other feature: a strong accent at the beginning of each bar gave a kick to the rhythms and also helped to keep the instruments firmly together. This, however, is an effect that can become tiresome and in the Allegro of the first Concerto the heavy thump on the first beat by horns and continuo soon started to sound anti-musical.

It goes almost without saying that the group responded with playing at a virtuoso level. Under their director, Reinhard Goebel, all except the horns showed how vital and accurate old instruments can be.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

June 6-12

PARIS

Anna Tomowa-Sintow recital (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre National de France, conducted by Christoph von Dohnanyi; Horacio Gutierez, piano. Brahms, Mendelssohn (Mon). Salle Pleyel (4561 0630).

Czech Philharmonic conducted by Vaclav Neumann: Mozart, R. Strauss, Dvořák (Mon). TMP-Chatélet (4233 4444).

Ensemble Orchestral de Paris, conducted by Jean-Pierre Wallez; Alexandre Lagoya, guitar. Vivaldi, Rodrigo, Mozart (Tue). Salle Pleyel (4561 0630).

Cello Concertos, Jean-Marie Gamard, Marie-Aymee Malaquin. Vivaldi, Boccherini, Haydn (Tue). Saint-Severin Church (4633 8761).

Symphony Orchestra and Choir of Spanish radio and television, conducted by M.A. Gomez-Martinez. De Falla, Rodrigo, Curidi (Tue). TMP-Chatelet (4233 4444).

Annie Fischer, piano. Mozart, Schumann, Brahms (Wed). Théâtre des Champs Elysées (4723 4777).

Ensemble Intercontemporain. Olivier Messiaen (Thur). Centre Georges Pompidou. Grande Salle (4278 7995).

LONDON

Philharmonia Orchestra, conducted by Giuseppe Sinopoli, with Bruno Giuranna, violin. Berlioz, Schubert and Debussy. Royal Festival Hall (Tue). (928 3191).

London Mozart Players, conducted by Jane Glover, with Heather Harper, soprano. Mozart and Britten. Queen Elizabeth Hall (Wed). (928 3191).

English Chamber Orchestra, with Sir *Georg Solti and Murray Perahia,* soloists. Mozart piano concertos in the presence of the Prince and Princess of Wales. Barbican Hall (Wed). (638 8891).

London Bach Orchestra, directed by Nicholas Kraemer. Vivaldi's Gloria and Four Seasons. Queen Elizabeth Hall (Thur).

Philharmonia Orchestra, conducted by Semyon Bychkov; with Nigel Kennedy, violin. Beethoven, Mendelssohn and Brahms. Royal Festival Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Recital Hall: 17th century Italian music, with Frans Brüggen, flute, Gustav Leonhardt, harpsichord; Anthony Woodrow, double bass (Wed). The Schönberg Quartet. Chausson (Thur). (71 83 45).

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic; Nai Yuan Hu, violin. Beethoven (Thur). (14 29 11).

Amsterdam, Frascati. Klas Torstensson's multi-media project Barstend IJs, for 24 voices, four percussionists and electronics (Tue to Thur). (23 57 23).

ITALY

Florence: Teatro della Pergola: Kathleen Battle, *soprano, accompanied* by Lawrence Skrobacs. Schubert, Mendelssohn, Meyerbeer, Faure, Duparc (Tue, Thurs). Henryk Szeryng, violin; accompanied by Huguette Dreyfus. Bach (Thur). (242 361).

Franz Liszt piano concours

The 1986 Franz Liszt piano concours at Vredenburg, Utrecht, in the Netherlands, takes place this week.

The semi-finals are being held today and tomorrow at 11am, 2pm and 8pm.

In the finals, on Thursday, the six chosen candidates will perform with the Netherlands Philharmonic Orchestra under the baton of Anton Kersjes (8.15pm).

VIENNA

Saint Paul Chamber Orchestra, conducted by Pinchas Zukerman, violin. Haydn, Mozart, Dvořák, Schubert. Musikverein (Mon).

Michael Schnitzler, violin and viola; Hans Petermandl, piano. Mozart, Brahms, Beethoven, Ravel. Schubert Saal, Konzerthaus (72 12 11). (Tue).

Alfred Brendel, piano. Haydn, Schumann, Liszt. Musikverein. (Wed).

Vienna Symphony Orchestra, conducted by Guenther Wand. Schubert, Beethoven. Musikverein (Thur).

Kathleen Battle, lieder; James Levine, piano. Purcell, Händel, Schubert, R. Strauss, Duparc. Brahms Saal, Musikverein.

NEW YORK

Merkin Hall (Goodman House): Robert De Gaetano piano recital. Mozart, Robert DeGaetano (world premiere) Liszt, Bernstein, Rachmaninoff (Mon); Hebrew Arts Chorale and Chamber Singers. Elayne Robinson Grossman director. Mendelssohn, Bonia Shur, Simon Sargon, Ben Steinberg, Cantor Davidson, Lewandowski, Janowski (Tue); Raul Sunico piano recital. Schumann, Barber, Ravel, Liszt (Wed). 67th W. of Broadway (362 8719).

Bargemusic (Fulton Ferry Landing): Chamber music concert with Warren Lash, cello; Charles Neidich, clarinet; Diane Walsh, piano. Debussy, Beethoven, Brahms. Brooklyn (624 4061).

CHICAGO

Chicago Symphony (Orchestral Hall): Andrew Davis conducting; Mitsuko Uchida, piano. Britten, Beethoven, *Prokofiev* (Thur). (235 8111).

TOKYO

NHK Symphony Orchestra, conducted by Hiroshi Wakasugi. Mahler. NHK Hall (Wed, Thur). (465 1780).

Saleroom/Susan Moore

Rarities from Imperial China will be the highlight of the auction rooms this week. Sotheby's are offering tomorrow arguably the largest and finest group of Tang dynasty (618-906) tomb figures and wares to come on to the market for many years. The sales consists of 39 lots of Tang pottery, sculpture and metalwork from a private European collection.

A graceful, well-rounded court lady glazed in the most costly blue, a 32½ in. striding camel decorated with a bold combination of glazes and a vigorous mounted lady polo player in mid-strike are all expected to top £100,000. By no means the most attractive piece but certainly the most unusual is a limestone carving of a female musician. The survival of relatively few secular stone carvings of the period accounts for its estimate of £80-120,000.

In their Chinese bronzes and ceramics sale the same morning is a previously unrecorded Ming blue and white porcelain wine cup decorated in underglaze blue with lotus blossoms and leaves. One of only four known examples which bear the Yongle period (1403-24) regin mark, it is possibly the rarest piece of early Ming blue and white ever to come up for sale. As the other three cups are in the Peking Palace Museum Sotheby's are cautious to estimate its market value, but expect it to fetch "a substantial six-figure sum."

Some 160 pieces of 18th-century German porcelain from the collection amassed in Switzerland by Dr Marcel Nyffeler are to be sold at Christie's today. Comprising mainly early Meissen figures, they include a group of seven characters from the *Commedia dell'Arte* modelled by J. J. Kändler and P. Reinicke for the Duke of Weissenfels in about 1744. A price of £20,000-£30,000 is expected for a slightly earlier grimacing Harlequin from Meissen modelled by Kändler.

The most glorious piece, however, his his madonna and child of around 1738. The madonna's flowing yellow-lined white robes are trimmed with puce, the colour of the delightful spotted dragon at her feet. Both stand on a starred blue sphere. This confection of counter-Reformation eloquence is expected to fetch anything from £25,000 to £40,000.

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Monday June 9 1986

An important Chinese visit

RELATIONS between Britain and China have come a long way since the difficult days beginning in 1983 when disagreements and mutual suspicion over the future of Hong Kong provoked a crisis of confidence in the colony and severe strains between the two countries.

Not only is there a clearer understanding between Peking and London over Hong Kong, there is also a growing web of mutual interest which is helping to reinforce the healing process.

This week's visit to Britain by Hu Yaobang, general secretary of the Chinese Communist Party, is part of this process. It also adds an extra dimension to the developing relationship.

Symbolic importance

For apart from being a member of the all-powerful five-man standing committee of China's ruling politburo and hence directly involved in state policy, Hu is also head of the country's communist party. His visit to Britain at the start of a European tour, the first such visit by a Chinese Communist party secretary, is of considerable symbolic importance.

The general secretary's visit follows a similar trip last year by Premier Zhao Ziyang and precedes a visit to China this autumn by the Queen.

Beyond the purely bilateral nature of the trip, Hu's visit is part of a wider western effort to draw the pragmatic new China of its paramount leader Deng Xiaoping, into a closer involvement with the West, thus strengthening the impetus in Peking for economic liberalisation at home and moderation abroad.

Hu's visit will hopefully be more than a merely ceremonial affair. For it should be an excellent opportunity for British ministers to refine their assessment of China's ruling triumvirate — Deng Xiaoping, Hu Yaobang and Zhao Ziyang — and their chances of maintaining the present pragmatic course in the face of persistent left-wing opposition.

Much depends on Deng's counter revolution, not least the future of Hong Kong. Over the past few months fears of too rapid westernisation, corruption and crime have led to a number of challenges, some at the very pinnacle of power, from conservatives who oppose Deng's reforms.

Mrs Thatcher and her team will also be able to take a closer look at Li Peng, the 57-year-old deputy prime minister and China's leading technocrat who is strongly favoured to succeed the premiership.

On a more detailed level this week's visit should prepare the ground for further progress both on the future of Hong Kong and the not unrelated issue of Sino-British trade. Over the past few months Britain and China have made significant strides in fleshing out the joint declaration on the colony's future signed in 1984 under which Hong Kong reverts to the mainland in 1997.

A major clash over the issue of political reform in the colony has been avoided, while imaginative efforts by officials from both sides have found satisfactory solutions to issues such as Hong Kong's membership of the General Agreement on Tariffs and Trade.

Vital questions

However, a great deal remains to be done. Vital questions such as the composition of the colony's future legislative body, the extent of the power of the chief executive after 1997 and the role of the Chinese army have yet to be determined. Britain should use this week's visit to reinforce the case for continued pragmatism on China's part.

The talks with Hu's 40-strong delegation should also provide an opportunity to press for greater British involvement in China's economic modernisation drive. Despite some recent successes by British exporters to China the UK's European competitors are still doing better in penetrating what is a difficult and sometimes perilous market.

In the longer run, it is in Britain's interest to impress Chinese leaders like Hu Yaobang and Li Peng, that the UK is a useful and reliable trading partner. Although their claim to Deng Xiaoping's mantle is still far from assured, they represent China's best chance of a progressive future and as such are worth cultivating.

Rival plans for space launchers

WESTERN EUROPE's collaboration-minded technocrats face a real test over the next year in the somewhat abstruse area of space launchers. The subject has had more than its usual share of attention in recent months, as a result of a string of US launcher accidents, followed by the recent failure of western Europe's Ariane rocket. This was the fourth failure in 18 missions for Ariane and has led to a suspension of flights that may last several months.

Space engineers in both the US and Europe are doing their best to shrug off these accidents as no more than a run of bad luck. They are probably right. Putting objects in to space, at least on unmanned rockets, is an activity that the world had every reason to believe it mastered a decade ago. The current hiatus in the West's satellite launches is largely the result of production problems in rocket-assembly plants.

Apart from causing rocket engineers to improve quality control, the delay has concentrated the minds of space planners on the next generation of space launchers. For Europe, this represents a big challenge. The development of Ariane, spearheaded by France, which has put up 70 per cent of the funds, has given Europe the chance to make the most of developments in space technology over the next two or three decades. Ejecting into space unmanned satellites and other payloads such as workshops for scientific experiments will become increasingly important.

Alternative approach

This is where European technological collaboration will be tested. Through the 11-nation European Space Agency, which masterminds the continent's extraterrestrial activities, West European nations have already decided to develop, at a cost of about £1.3bn, a heavy-duty form of Ariane, called Ariane-5, as the launcher for the mid-1990s. The vehicle is conservatively designed and will need no major leaps in technology.

What follows Ariane-5? France wants Europe to agree to spend about £1bn on Hermes, a small manned "space place" which the heavy-duty launcher would lift into orbit.

In the past year, Britain has put forward another proposal which does not directly conflict with Hermes but may well divert attention from it. The UK wants Europe to think about backing an alternative approach for taking objects into space, based on the Hotol concept of Rolls-Royce and British Aerospace.

The Hotol (Horizontal Take-Off and Landing) vehicle would take off from an ordinary runway like an aeroplane. It would be based on an air-breathing engine, which does away with the need for huge tanks of liquid oxygen and so cuts launch costs dramatically. Hotol is still on the drawing board and needs another year of theoretical studies. To develop a Hotol vehicle, which would be ready by around 2005, would cost at least £4bn.

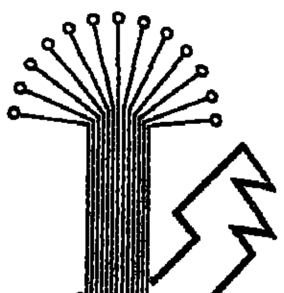
World beating

France is deeply suspicious about Hotol. Britain has failed so far to supply all the details about how Hotol would work—these are classified to protect what British Aerospace and Rolls-Royce think is a commercial lead and also because of the craft's military potential—and France is not convinced the idea is sound. Moreover, Britain's lobbying efforts on behalf of the new vehicle could be seen as an attempt to stop Hermes.

There have been some suggestions on the British side that if Europe does not want to back Hotol, the UK may seek collaboration with the US.

There is no reason, however, why the European nations should not work together in this area. The best ideas from the Ariane programme, tempered with innovative suggestions from the Hotol team, could be fused into a world-beating launcher project for the next century. A precedent for this type of collaboration is the Joint European Torus, an experiment that could lead to a breakthrough over the next decade in generating energy by nuclear fusion, which is being assembled by a multinational team in Oxfordshire. Britain should consider hosting, early next year, a European conference on Hotol to explain the ideas fully to its European partners and to explore ways of working with France's Ariane engineers. As a first step, the country should issue more explicit details of how Hotol is meant to work to enable the rest of Europe to judge the project with more confidence.

In the first of a series, **Peter Marsh** explains why many British high-technology companies have failed to reach maturity



A dream they never sold

AS RECENTLY as five years ago, Britain had a golden opportunity to lay the ground for a world-class industry in the fast-growing area of computerised design and manufacturing.

Having developed highly regarded products in computer-aided design and manufacturing (CAD/CAM), which is used both to design new products and program the tools to make them, British companies failed to organise effectively and to make inroads in selling in the US, which accounts for roughly half the world market in this technology.

As a result, in the past five years, four youthful British companies in CAD, all of them with promising products but short on marketing skills, have been purchased by much bigger US groups.

It was "like a marathon runner who sits down 10 minutes before the end," says Mr Charles Foundyller, president of Daratech, a Massachusetts consultancy.

Today, UK-owned companies are also-rans in the $5bn-a-year CAD/CAM business, which is growing at about 25 per cent a year and in which US enterprises account for some 70 per cent of sales. It is a particularly dispiriting example of Britain failing to turn good technical ideas into a commanding commercial position.

More than this, the tale illustrates the general problems in the UK of building up significant businesses based on the activities of small, technology-oriented companies. Such developments are widely thought to be crucial to Britain's future.

Further articles in the next few days will examine case studies which highlight the cultural and management impediments which can stunt the growth of such companies.

The CAD/CAM story starts in the early 1960s. Aerospace and car companies, including Lockheed, Boeing and General Motors in the US, and Dassault in France, were among the early pioneers.

In Britain, there were four early strands of activity. In 1968 Ferranti, which had built up expertise by using CAD to design radar parts, started a division to sell CAD systems. Today the company is a minor player in the industry.

Also in 1968, ex-Plessey engineers set up Dorset-based Quest Automation, which sold CAD systems for electronics design. Quest made good progress for a while, but three years ago sold its CAD operations to Marconi after hitting financial problems.

A more fruitful activity began in 1965 when Racal, the UK electronics group, set up Racal Research (later Racal-Redac) to develop CAD expertise for printed circuit boards.

In charge of the Tewkesbury-based company was Mr Eric Wolfendale, who had worked on the technology while at Mullard's Southampton laboratories in the 1950s. Racal-Redac has built up to sales of £40m annually, four-fifths exported, and is the country's leading CAD/CAM supplier.

The UK's fourth, and most important, set of CAD developments was centred on Cambridge. In 1965 the university's computer laboratory started a CAD group, headed by Dr Charles Lang, a mathematician who had become interested in the technology during a spell at the Massachusetts Institute of Technology.

Cambridge University has been one of Britain's leading centres in computing skills since the Second World War. To ensure that more of these ideas permeated into industry, the Wilson Government established the CAD Centre, a state-funded laboratory. It opened in 1969 on the outskirts of Cambridge.

The plan worked, up to point. More UK companies became acquainted with CAD/CAM ideas. But no large company was set up to sell the technology to industry.

Instead, a dozen or so small concerns, led by people either leaving the CAD Centre or the university's computer laboratory, were born.

All found it difficult to build up a commanding position in the industry, which, by the end of the 1970s, was already dominated by big US names such as Computervision, IBM, Calma, Applicon and Intergraph. In 1979, world sales of CAD/CAM were worth only about $300m, roughly a 16th of the total today, but, even then, US companies accounted for some 90 per cent of the market.

One of the few British companies which seemed to have the technical skills to dent this dominance was Shape Data, which four academics from Cambridge University, including Dr Lang, started in 1974. The four set up in business almost by accident, largely because their grants ran out.

None the less, Shape Data attracted worldwide attention by developing Romulus, a highly thought-of software product for visualising engineering items in three dimensions. Annual sales, however, took off slowly and by 1981 had only reached £500,000.

The company made no secret about preferring research to marketing. It ran itself as a form of co-operative, not appointing a managing director until 1983.

One man who thought he could beef up the business was Mr Wolfendale of Racal-Redac. Early in 1981, he told the ex-academics he would like to take them over.

After months of agonising, Dr Lang and his colleagues turned him down. So keen was Mr Wolfendale on the acquisition that next morning he turned up on the door step of Shape Data to make a last-ditch bid. Dr Lang nearly ran into Mr Wolfendale on his bicycle.

"We felt their dreams didn't coincide with ours," says Dr Lang. "We thought they might switch us round to other directions and make us conform."

Even now, Mr Wolfendale, who left Racal in 1982 and runs a research company in Cheltenham, is rueful.

Dreaming spires: The men who ran Shape Data, which preferred research to marketing. From the left: Dr Alan Grayer, Dr Ian Braid and Dr Charles Lang

Had the marriage between the academically-inclined Cambridge company and the more hard-nosed, market-oriented Racal subsidiary been consummated, an important precedent would have been set for combining UK forces in what was then the still fledgling business of CAD/CAM.

The big US companies did not take long to show their interest in the UK minnows. Later in 1981, Dr Lang and his colleagues sold their company for $2.5m to Evans and Sutherland of Salt Lake City, a computer-simulation company which had previously distributed Romulus in the US.

According to Dr Alan Grayer, one of Shape Data's founders, the group had no regrets about turning down Racal-Redac's advances. This is even though, the chosen marriage did not turn out a success. Dr Grayer, Dr Lang and a third founder, Dr Ian Braid left Shape Data last year to form their own consultancy, Three Space. The fourth original partner, Peter Veenman, remains in charge of the company, now 90-strong, which retains its name but is fully integrated into the US operation.

Compeda, set up by the UK Government in 1977 to market products from the CAD Centre was also to fall prey to a big US concern. A subsidiary of the National Research Development Corporation (a government organisation now part of the British Technology Group), it encountered financial problems and was snapped up for about £1m in 1982 by Prime Computer.

The most spectacular rise of any British CAD company was that of Cambridge Interactive Systems (CIS), set up in 1977 by four ex-managers at the CAD Centre. After dabbling in computer graphics for TV commercials, the Cambridge company started in 1979 an inspired relationship with Hunting Engineering, the Ampthill-based defence contractor.

Out of a chance inquiry from Hunting for new CAD software that would be an advance on anything the US giants could offer came a set of computer programs called Medusa. "It was a humdinger of a product," enthuses Mr Norman Williams, CAD manager at Hunting.

Medusa was not only a hit with the Ampthill concern. In independent tests performed as recently as 1982, it outperformed comparable products from much bigger US companies such as Applicon, Intergraph and Calma.

CIS's annual sales started to quadruple each year, reaching £10m by 1983. This posed unexpected difficulties for the founders.

All were, in the words of Mr Tom Sancha, until last year the company's chairman, "programmers who had struck lucky. We could barely manage ourselves, let alone a growing company."

An effervescent character who studied computing at Cambridge University and lasted nine weeks in his first job with IBM because he disliked the regimentation, Mr Sancha recalls the early period at CIS: "Until Medusa, we had three idyllic years. We were a bunch of friends having lots of people drooling over us and saying how wonderful we were. Then we had a phenomenal success on our hands and life became a problem."

In 1980 CIS decided against setting up a separate subsidiary in the US to sell Medusa, instead concluding a hasty distribution agreement with Prime. Two years later, when the Cambridge company had fallen out with Prime, Mr Sancha and his colleagues attracted the attention of Computervision of the US.

The Massachusetts concern, which started in 1969 and dominated the early years of the CAD/CAM industry, operated in a different world from the Cambridge group. In 1981, it accounted for a full 30 per cent of the world market for CAD/CAM, with revenues that year of $271m of which $33m was profit.

Computervision's directors flew to England on Concorde, took the CIS partners out to dinner and made them an offer they could hardly refuse; cash and shares worth $35m, enough to make them rich beyond their wildest dreams. By early 1983 CIS had become a US subsidiary.

The fourth UK concern to fall into the hands of a big US company was Applied Research of Cambridge, started in 1969 by a group of Cambridge University architects to develop design software for construction and mapping. By last year it had grown to about 100 staff and annual sales of £9m. Last summer, McDonnell Douglas bought it for $12m, having distributed the UK enterprise's products in the US since 1981.

How did it all go wrong? Certainly not through shortage of ideas about rationalising the UK industry.

Before the Computervision takeover, Rediffusion and GEC Industrial Products had considered bids for CIS. And at Racal-Redac the indefatigable Mr Wolfendale had on several occasions tried to cement a relationship with the CAD Centre by acting as the laboratory's marketing outlet.

Software Sciences (later owned by BOC and today a subsidiary of Thorn EMI), and Cambridge Consultants put in formal offers for the CAD Centre after the Government invited privatisation bids in 1976. The laboratory finally moved into the private sector seven years later. It is now run by an ICL-headed consortium and expects to turn in a profit for the first time this year on sales of about £8m.

As for the Government, it was only in 1982 that the Industry Department tried unsuccessfully to promote the merger of Racal-Redac, Ferranti, Quest and Compeda (the latter before becoming part of Prime Computer).

Two factors stand out from the story. No one — except perhaps Mr Wolfendale, whose efforts came to nothing — was able to convey with sufficient authority the economic logic for putting the smaller concerns together.

As Mr David Thomson, ex-chairman of Compeda who is now in the venture-capital industry, puts it: "The CAD companies were run by clever, individualistic people who didn't like losing their freedom. Life in Cambridge running these companies was quite agreeable. Who wanted to be involved in all the hassles of mergers?"

Second, apart from Racal-Redac (which set up its own US subsidiary early on) the UK CAD companies largely ducked out of the challenge of selling in the US. Instead, they preferred to sell via distributors over which they had no control (and which in two cases eventually bought them).

To sell in the US, says Mr Foundyller of Daratech, the consultants, "you have to expend energy. You have to kick some asses and take names." On this occasion, the UK had a weak kick and suffered extreme myopia in weighing up the opportunities.

The second article in this series will be published on the Management page on Wednesday.

Men and Matters

Baldock joins Guinness team

Ernest Saunders, having become a member of the select group of British bosses who can claim to have assembled rich and prosperous businesses in double-quick time, is now entering the second stage of his Guinness management.

He is divesting his day-to-day management responsibilities to men with proven track records.

Brian Baldock, aged 51, left his desk at Imperial last Friday (as managing director of leisure and retailing) and today takes over the Guinness non-drink interests. He joins the board as an executive director to complement the only other executive director Vic Steele (formerly Beecham), who Saunders brought in recently to run the drinks side.

Saunders likes to work his senior men to an 8-day week—with cosy telephone chats on Sunday mornings as a relaxation from the office grind.

Baldock will not mind that sort of regime. He is a confessed marketing workaholic. He cut his teeth in the trade—as did so many—with Procter and Gamble, learning to sell in Europe and the US.

He admires Saunders' belief in the power of brands. In his most recent job Baldock has been making the Courage brands sing, also the Imperial brand of lager, Hofmeister. Before that he helped Revlon, Daz, and Fairy Snow find their way into the households of the world.

At Guinness Baldock will have charge of retailing (some 1,200 stores), health (including the Champneys retreat and health foods), and publishing—the Guinness Book of Records.

Saunders, Steele, and Baldock, are all marketing men to their fingertips. They should enjoy swapping ideas. But will the concentration of marketing talent leave the Guinness board light on other skills?

Semi-detached

Amid all the furore over Alliance splits on defence policy much has been made of a Gallup survey showing divisions among SDP and Liberal candidates on nuclear issues.

But less has been said about Policy Research Associates, which is the body that commissioned Gallup.

PRA describes itself as a political consultancy. But it is not quite as detached as it appears.

Among its patrons are those highly committed campaigners, Lord Chalfont and Norris McWhirter, as well as the Conservative MP and defence specialist Edward Leigh.

Indeed, in the announcement, the director of PRA, Dr Julian Lewis, notes that the survey was commissioned in consultation with the Conservative research department.

Towards the end of last week it was a member of the Conservative Central Office press staff who found the time to distribute the findings at Westminster.

Salutary tales

The trend was probably started by In Search of Excellence, a business book written by Thomas Peters and Robert Waterman, which hi-jacked the best-seller list in the US.

Such a lively performance by a business book was unknown among publishers. But it has been several times repeated since recently by other business books including Lee Iacocca's life story as a Detroit car baron—still breaking sales records—and The One-Minute Manager.

Publishers on both sides of the Atlantic are now falling over themselves to produce more books on excellence in business management—preferably with the racy touch that Iacocca threw in.

Impressed by the public's new appetite for business books the Publishers Association has organised a British promotional campaign for books concerned with commerce and industry. It is formally linked with Industry Year. But the 90 bookshops, which will be holding in-store promotions during the second half of June, will all be hoping that one of the authors on offer will prove to have the Iacocca touch.

I asked Nigel Oxbrow, director of Business Bookshop, next door to the London Business School, for a hot tip. He favours The IBM Way, by Buck Rodger, which tells why the world's biggest computer company and its special philosophy, has proved successful.

Thin ice

Donald Trump, aged 39, the New York property tycoon, was last heard of trying to drum up support for a $2bn plan to build the world's largest skyscraper in Manhattan.

His new venture, the proposed rebuilding of an ice rink in Central Park, is a more modest affair. Yet it is proving just as controversial as many of his previous adventures in the property world.

Trump, in common with many New Yorkers, has watched with amazement at the way city officials have fumbled the seemingly simple task of refurbishing the old Wollman ice rink, a familiar venue for generations of New Yorkers learning to skate.

The rink was closed five years ago and was supposed to open two years later. But it is still closed. And a few weeks ago city officials revealed that they had put back the re-opening date until the end of next year at the earliest because, they explained, of problems with the freezing equipment.

That was too much for Trump. He fired off a letter to New York's mayor, Ed. Koch, pointing out that he had built Trump Tower, his Fifth Avenue extravaganza, in just 26 months, and had built many other developments in double-quick time. Give him four months, he promised, and he would fix the skating rink for nothing. All he asked in return was the right to operate the rink and an adjacent restaurant.

City officials are embarrassed by the offer. Some of them fear that Trump wants the rink so that he can rename it after himself, as he has done with his various hotels and casinos.

However, after a week of delicate negotiations, Trump has finally been given the $2.5m contract for the rink — he has promised to make over his profits to charity.

But the episode has a deeper significance to sharp New Yorkers who are now asking how it is that Trump can rebuild the rink four times faster than the city's best estimates if it had done the job itself.

Colour problem

High security at European airports is having some strange effects.

A man from the Dutch newspaper Trouw arrived back at Schiphol from a foreign trip carrying a copy of the FT—perceptive chap.

As he went through the Green Channel he was challenged by the customs offier, "What sort of a newspaper is that?"

"It is the Financial Times."

"Has it always been that colour?"

"I don't know."

The officer looked through the paper as if he suspected it had a false bottom, shook it, and then handed it back to the Dutch journalist muttering, "A pity."

Farewell summer

"Christmas will be arriving in September this year in Jermyn Street," I read in the British Tourist Authority Bulletin.

Observer

FOREIGN AFFAIRS

A Soviet paddle, perhaps, for Mr Reagan's canoe

By Ian Davidson

PRESIDENT REAGAN'S declaration of intent to throw over the nuclear weapons limits enshrined in the 1979 Salt II treaty continues to generate heated controversy on both sides of the Atlantic. Democrats in the US have denounced it; European governments have deplored it; the Russians have threatened counter-retaliation, and warned that it could jeopardise the second Reagan-Gorbachev summit due some time later this year.

But the interesting thing is that the controversy is not as heated as one might have expected. The Russian condemnation, in particular, seems muted and formal. They have protested, but the tone of their protest has been carefully controlled, and their threats of retaliation have sounded deliberately non-specific and conditional.

The explanation may be simple. President Reagan's decision will not be implemented until November or thereabouts and has been hedged with a let-out clause: if the Soviet Union does something to deal with American accusations that it is already violating the Salt II treaty, or perhaps if the Geneva negotiations on new arms control agreements start to make real progress, Washington might "take this into account." In theory, therefore, there could still be just time to avert the worst. President Reagan has allowed the hawks in his administration to push his waterlogged canoe towards the rapids; the waterfall is still five months away; can any of the available rescue teams paddle fast enough to rescue him in following President Reagan time? It may be doubtful, but it is still possible.

There may also be a second explanation. From a higher vantage point in the canyon, it looks as if the waterfall is not, after all, a waterfall but a series of steeply descending pools. Deeply dangerous, of course, especially for a navigator who does not know one end of a canoe from the other, but not necessarily and absolutely terminal.

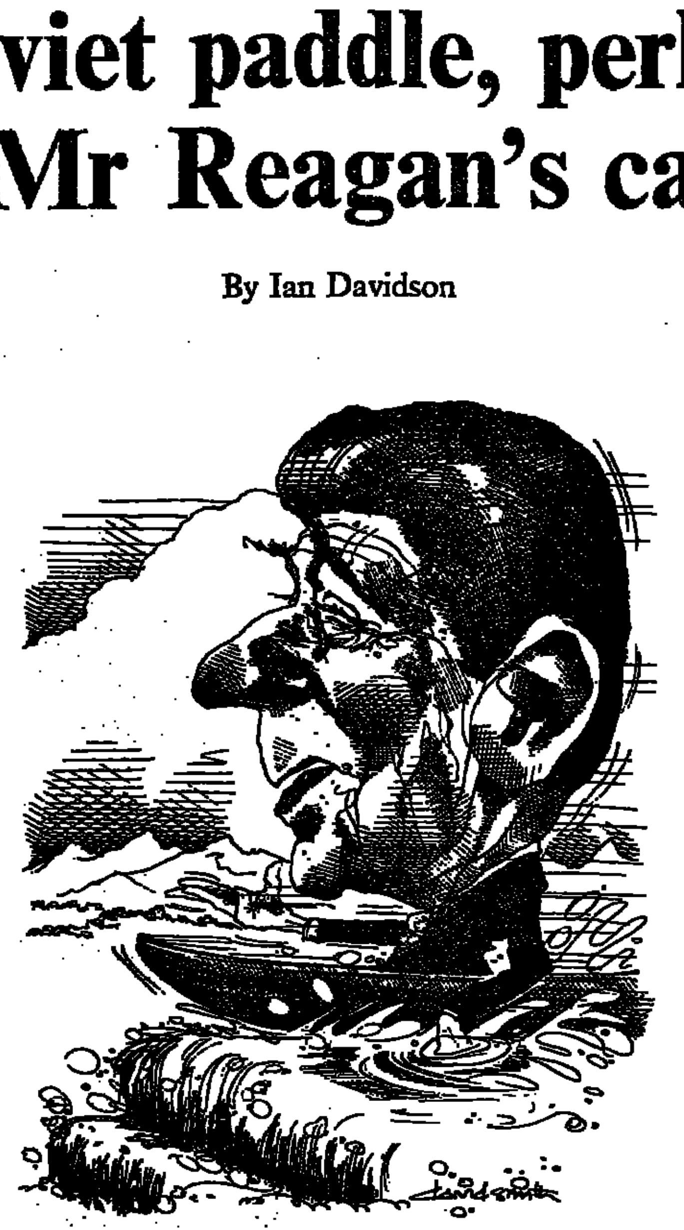
The equipping of one extra B-52 with air-launched cruise missiles beyond the limits permitted under Salt II would be a very important political step to take, but in military terms it would be meaningless; and the same distinction would apply if the Russians were to match a symbolic American violation with an exactly equivalent violation of their own.

Eventually, a process of tit-for-tat might start to affect the military balance, especially if it gathered momentum. But the Russians should have no desire, and above all no interest, in down the rapids. During the 1970s they built up their nuclear weapons at all levels, while the American inventory stayed pretty static; this gave them the appearance of an edge, and contributed in 1980 to the election of Ronald Reagan and his rearmament programme. If the unravelling of arms control were to lead to an unconstrained arms race, the Russians know it would be very expensive and politically uncomfortable, but they do not know that it would turn to their advantage in military terms.

They could easily multiply the numbers of warheads on top of their heavy land-based missiles. But the US has a large number of new weapons systems in deployment or development: the MX land-based missile, the Trident D-5 submarine-launched missile, the B-1 bomber, the Stealth bomber, the Midgetman small mobile missile, and advanced cruise missiles. The accuracy of these weapons may enable them to destroy hardened military targets; so that the multiplication of warheads on the Soviet SS-18 silo-based missiles, which until now have looked particularly threatening to America's land-based missiles, might instead start to look like a serious point of *Soviet vulnerability*, at risk to an American first strike.

President Reagan's freedom to go down this road is currently constrained by Congressional support for arms control defence spending. But the Russians cannot be sure that these constraints would not be lifted if they are seen to be engaging, on their side, in a new arms race; nor can they be sure that a new arms race would not be used to restore urgency and legitimacy to President Reagan's Star Wars programme which, even if it never results in any effective defences, would certainly drive the development of high-technology weapons in which the US has overwhelming advantages.

In other words, the Russians have good reasons to avoid over-reacting to President Reagan's latest move, even if he splashes over the edge into the first pool below. Who knows, it might still be possible to prevent him from being swept all the way



to the bottom, with outstretched hands to drag the leaky craft to the side, and by skilful and determined portage bring it back up to the calmer waters of Arms Control Reach. It would not be easy; but it might be conceivable.

One tantalising hint of an outstretched Soviet hand emerged the same week that President Reagan launched himself down the rapids: in Geneva, the Soviet delegation made what could turn out to be a radical shift in its attitude to Star Wars.

Until now the Russians have been demanding an absolute ban on any testing or deployment of Star Wars defences, under a strict interpretation of the 1972 Anti-Ballistic Missile treaty. (This interpretation is endorsed by most US experts, though it has recently been contested by some Administration lawyers.) In what seems to be a major shift of line, the Russians are now proposing instead a guarantee that there would be no testing or deployment for an extended period—say 15 or 20 years.

The ABM treaty is in principle of indefinite duration; but it can be denounced by giving six months' notice. The implication of the new Soviet proposal is not merely that the wording of the ABM treaty would be tightened to exclude any slippery interpretation, but that this six-month denunciation notice would be changed to 15 or 20 years.

The proposal makes sense in political as well as in arms control terms. Last November's Geneva summit meeting made clear to Mikhail Gorbachev, if he did not know it before, the depth of President Reagan's commitment to his dream of a perfect sanctuary from nuclear weapons. Whatever else may be attainable in the arms control negotiations, President Reagan will certainly not agree to an explicit renunciation of that dream.

Fewer and fewer people now seriously believe that any amount of high technology could ever take America to the end of that particular rainbow. I recently met an analyst at a leading US military research establishment, which is trying to work out how a defensive system could be deployed without being vulnerable to Soviet counter-measures. In the process, the researchers hold formal debates. "The trouble is," he said, "that everybody wants to be on the Red (ie Soviet) team."

An arms control seminar the other day was considering whether it would be possible to make a safe transition to space-based defences. The conclusion? Very, very difficult. A military-research analyst at the seminar described a study of the more limited problem of ground-based defences, to protect missile silos, for example, as permitted under the ABM treaty. Question: if both sides are allowed the same number of interceptor missiles, which number is best for the US? Answer: Zero.

Rational analysis will not release Mr Reagan from his dream, however. So if there is to be an arms control agreement, it must encompass a contradiction: the President must be able to claim that Star Wars is still alive and well; the Russians must have near-certainty that the dream will remain a dream until long after Reagan has gone. Perhaps that contradiction can be reconciled by lengthening the denunciation notice.

A long denunciation period would also match the needs of any plan to cut strategic nuclear weapons. For mutual confidence, deep reductions would have to be phased over, perhaps, 10 years. Presumably the new lower totals would stay in force for several more years, say five. Total: 15 years.

Administration reaction to the Soviet shift is predictably divided. The doves seem cautiously interested; the hawks describe it as a trap, because they fear that it could skewer Star Wars on the slab. In the most optimistic scenario, the Soviet hint could presage the beginning of movement in the Geneva negotiations; if movement led to real momentum, the prospects for arms control and for a summit later this year could be transformed; and in that case, the deployment of the extra B-52 would scarcely matter.

Moreover, in exchange for the long-term stability of a new arms control agreement, the Russians might be prepared to rectify violations which they deny in the context of the old.

But it is obvious that the most optimistic scenario is not the only one; indeed, the cards look stacked against it. The Soviet shift may be encouraging in theory, but it will not by itself achieve anything. Mr Gorbachev may think that he is offering a significant concession on Star Wars, and from his point of view he is right; but President Reagan will regard it as an American concession on Star Wars, without a compensating advantage. He will not bang heads together in Washington and come down decisively in favour of arms control, unless a major agreement on the control/reduction of offensive weapons, on terms which the hawks cannot plausibly reject, comes within reach. Until the Russians start to move on this front, optimism will be just wishful thinking.

The real danger in the short and even medium term is not that the 131st B-52 bomber will trigger the unstoppable process of a new arms race, nor that it will lead to a major crisis in relations between the two superpowers, but that it could start a major quarrel between the US and its European partners. The Salt treaties may not have done much to contain the arms race, but they are what we have; to throw them away like that looks recklessly irresponsible. The question facing Mr Gorbachev is this: would such a quarrel help the Soviet Union, and should he try to foment it? If it played into the hands of the quasi-neutralists in Europe, like the Labour Party, the answer is yes; if it strengthened the position of those, like Mr David Owen, who argue for a stronger European defence identity, the answer is no. Since he cannot know which is more likely, I suspect he will play safe and try to rescue Reagan from the rapids.

Lombard

How the dollar has fallen

By Samuel Brittan

THE SENSE of restlessness so clearly being felt by Mr James Baker, US Treasury Secretary, at the slowness of the US trade balance to respond to dollar depreciation will strike a chord with those who have long memories.

For it is all terribly reminiscent of the period after the devaluation of sterling in November 1967 — so long resisted by the then Mr Harold Wilson with an emotional obstinacy reminiscent of Mrs Thatcher's present attitude to the European Monetary System.

When devaluation occurred, there was a seemingly endless wait before any effects were seen on the UK balance of payments; and during this wait all those who believe that all elasticities are zero—and that in any case devaluation is immoral—were delighted to say: "I told you so." It was not until the summer of 1969 that decisive evidence appeared of a turnround in the British overseas trading account.

The devaluation of the dollar has been followed by a similar train of events. In spite of a single good month on which President Reagan went to town, the OECD expects both the trade and current deficits to be this year in the $130bn to $140bn range—higher than in 1985—with only a small improvement expected next year.

Part of this sluggishness reflects valuation lags known as the J-curve. After a devaluation, import prices tend to increase straight away in dollar terms thus boosting the import bill, while exports take time to strengthen. The OECD projections do show US export volume rising in the course of 1987 by 11 per cent, compared with only 6 per cent for imports.

Nevertheless, many people—not least an Administration worried by protectionist pressures from US producers—would like faster progress. One scapegoat that has recently emerged is the dollar's exchange rate against developing countries, which account for 36 per cent of all US imports. In many cases, this rate has actually risen, especially against Latin American countries.

This scapegoat has been slain by Salomon Brothers, which published in its May 30 Comments on Credit the table updated here. The "broad coverage" dollar index which includes developing as well as industrial countries, has indeed depreciated much less than the usually quoted indices against industrial countries. But nearly all of the differences reflect more rapid inflation in the LDCs. Allowing for this, the real fall in the dollar has been pretty similar, on whatever index it is measured.

The OECD "competitiveness" indicators show, for what they are worth, an improvement in US labour costs, relative to Japan, after adjustments for dollar devaluation of more than 40 per cent compared to 1982. In export prices the gain is less, but still 8 per cent. In the case of West Germany, the deterioration in competitiveness, between 1982 and 1985, has at least been eliminated.

Secretary Baker keeps saying that either other countries must expand demand or they must let the dollar depreciate still further. But the problem may lie not in any inadequacy of either *dollar devaluation or world demand*, but in the gap between US domestic savings and investment, of which the structural Budget deficit is but an aspect.

The probability is that Gramm-Rudman and other changes will gradually reduce the savings deficiency. This, with the unwinding of the J-curve, will gradually reduce the US payments deficit, both absolutely and still more as a proportion of GDP. The danger both to the US and the world is no longer the US payments deficit but misguided attempts to cure it faster.

CHANGES IN US DOLLAR TRADE-WEIGHTED INDEX
February 1985-May 1986

	Nominal %	Inflation adjusted %
Industrial countries Morgan Guaranty Index	−22.5	−25.3
Broad coverage Morgan Guaranty Index	−11.2	−20.6

Sources: Morgan Guaranty, Salomon Bros

Letters to the Editor

Eight years of litigation

From the Director, Association of Independent Radio Contractors

Sir, — On page 1 the recent White Paper on copyright, "Intellectual property and innovation" (Cmnd 9712) states: "The benefits of any intellectual property system are seriously undermined if the associated legal machinery is too slow, too complicated and too expensive. . . ."

The White Paper also says: "The Government . . . proposes to extend the existing jurisdiction of the Performing Right Tribunal to enable it to determine disputes arising between licensing bodies and persons or organisations requiring licences in all areas where there is a licensing scheme operated by a collecting society. . . ."

In 1978 the association referred to the Performing Right Tribunal the matter of the terms of the licences granted to its member commercial local radio stations by Phonographic Performances Ltd (PPL), on behalf of the majority of UK record companies.

In 1980 the PRT conducted a hearing which lasted 80 days.

Dissatisfied with the PRT's decision, the association applied to the High Court, as provided for under the 1956 Copyright Act, for the PRT to be required to "state a case" for the opinion of the court.

In 1981 a High Court judge ordered the PRT to state a case.

In 1983 the PRT produced the case stated.

In 1984 another High Court judge heard six days of argument from the association, PPL and the Musicians' Union, which had intervened, on a number of points of law the association had raised on the case stated.

In January of this year that judge produced his judgment, in which he directed the PRT to reconsider the matter.

As I write, the association is trying to persuade the PRT — with some resistance from the PPL and the Musicians' Union —to carry out the judge's directions as soon as possible, which in legal time-scales appears to mean not before July at the earliest.

The association first gave notice of reference of the PPL agreements to the tribunal on October 6 1978. Our experiences thus far do not give us any confidence that the issue will be resolved before the ninth anniversary of that date.

These eight years of litigation, via the PRT system, have cost a small industry, composed of little local companies, the best part of £500,000. In aggregate they have almost certainly cost the "other side," PPL and the Musicians' Union, rather more, yet the matter is far from being resolved.

Has the system been shown to be "too slow, too complicated and too expensive," or are the radio companies' expectations of justice unreasonable? Has the PRT proved that it is a suitable body to have its jurisdiction extended, or should the mechanism be thoroughly examined and overhauled before it is given any more work?

Brian West.
259, Old Marylebone Rd, NW1.

Growth that may never happen

From Mr I. A. Wright

Sir,—Samuel Brittan (June 5) is right to call into question the consensus assumption of accelerating world growth in the latter half of 1986. Unfortunately he does not go far enough.

That the initial impact of the recent sharp fall in oil prices would be deflationary in terms of world output should have been obvious to anyone prepared to give the problem serious analysis. Most were happy to go along with the unthinking euphoria that was the conditioned reflex reaction of City and academic economists.

The first-round effect of lower oil prices is to reduce incomes in oil-exporting countries and, since most of these countries are already running substantial balance of payments deficits with little scope for increased borrowing, there will be a consequent reduction in consumption. The industrialised countries will be better off. But the major beneficiaries, e.g. Germany and Japan, are already enjoying substantial balance of payments surpluses, i.e. they are net savers. There has thus been a substantial transfer of income from net consumers to net savers and hence a short-term reduction in aggregate demand.

Whether the medium-term effect is to increase or reduce total output depends on how the industrialised countries react to their windfall gain. The current obsession among governments for containing or reducing budget deficits does not give ground for optimism on this score.

If industrialised country governments attempt to keep their spending from rising in real terms (as inflation falls), then the benefits flowing from lower oil prices will be diverted into reduced borrowing, thereby offsetting some of the expected boost to consumer demand.

Lower interest rates might be expected to stimulate activity, but progress so far has been cautious. Although nominal interest rates have fallen, in real terms rates remain exceptionally high. Unless further action is taken in the major industrialised countries to relax fiscal and monetary policies and allow consumers to enjoy the benefits of lower oil (and other commodity) prices, we may never see the "golden age" of high growth and low inflation that is widely expected. Instead the world economy could drift into a falling output, falling price recession.

Ian A. Wright,
The Old Stables,
Blue Coat Yard,
Ware, Herts.

Payment on time

From the Director, Development Capital Corporation

Sir,—It is alarming to read (May 28) that the head of the technical advisory department of the Institute of Credit Management continues to champion the myth that big companies are to blame for failing to pay promptly.

I would draw Mr Walker's attention to the survey I carried out into receivables management performane in medium-sized companies, which was reported in the Financial Times on October 11 1983. The study's findings highlighted that prompt payment was essentially about the attitude and practices of the payee, *not* the payer.

The sooner businesses of all sizes realise the solution to prompt payment is in their own hands, the more positive their cash flow!

Janusz Heath.
103 Mount Street, W.1.

A fair share of the surpluses

From Mr C. E. Quinney

Sir,—Mr McShee's interesting riposte (Letters May 30) to your leader on "Raiding the pension funds" rightly stresses the origin of occupational pensions as a benefit promised by employer to employee; but his attempt to justify employer clawbacks of surpluses ignores three points.

1—The impact of inflation on frozen benefits and benefits in payment. There must at least be a moral, if not a legal, presumption that the benefits to the employee would, or should maintain their real value.

2—Contrary to Mr McShee's assertion, an implied part of the occupational pension "deal" is that the employee and employer will each maintain an agreed percentage of current salary contribution to the pension trust fund; at least until the benefits promised, including protection against inflation, have been met.

3—It is precisely because of a narrow legalistic approach to rights and obligations under occupational pension schemes by some employers that many commentators now believe only legislation can ensure that basic rules and standards which are fair and acceptable to society at large are applied. These include a minimum level of pension rights for given contributions; adequate transferability and/or the right to opt out of a company scheme; and a maximum level of self-investment by pension fund in the company's own shares. Surpluses should be devoted first to inflation compensation for existing or future pensioners, second to returning to companies any extra payments which might have been made to keep the fund afloat in bad times (as many companies did in the mid-to-late 1970s) and third, for any surpluses still remaining to be shared equally between company and scheme members.

Mr McShee may be right historically and legalistically, but it is hard to see many people disagreeing with the above as a broad framework within which the pension funds should be required to operate.

C. E. Quinney.
Dexamenis 21, Politia, Athens.

Pensioners' money

From Mr J. Russell

Sir, — Mr McShee's letter (May 30) is surely typical of the legalised nonsense used to drive down the living standards of industrial pensioners.

The lobby which is supported by the Financial Times leader is not against the cliche that "Managers must manage;" it is for the concept that pension funds are for the pensioner. That before any moneys be extracted from pension funds for non-pension purposes, the interest of the pensioner should be safeguarded.

Pensioners are the weakest section of the community. No-one competes for their services. They have little political clout. They are very open to being driven into penury by unscrupulous managers of pension funds whose reputations are made with high share values and bottom line profits. So when the Government introduces legislation to assist company directors to extract money from the pension funds, surely that legislation should first secure an adequate pension escalation for the fund pensioners? Why should pensioners be excluded from the booming profits of industry?

J. E. Russell
Over Dinsdale Hall,
Neasham, Darlington.

FINANCIAL TIMES

Monday June 9 1986

Terry Byland on Wall Street

Railways build up steam

"WHICH WAY is the US economy heading?" was the question finally puzzling Wall Street at the end of a week with enough puzzles to keep George Smiley and the rest of the Western intelligence services occupied until superannuation day.

Bond yields had been rising steadily on the belief that a strengthening economy would force rates higher and prevent the Federal Reserve from easing policy. The stock market, deciding that increased economic activity would outweigh any ill effects of higher interest rates, seemed to be gearing itself for a renewed advance.

Mr Paul Volcker's appearance before the Boston conference of central bankers, where he resurrected the inflation bogey, gave the markets a fright not entirely calmed by his encore performance at the House Banking Subcommittee.

But the disclosure on Friday of a sharp and unexpected rise in US unemployment rocked the boat – particularly in the bond market where yields hurriedly turned downwards after threatening to burst through the 8 per cent level again earlier in the week.

The stock market, having kept its composure as bond yields rose,

	Price ($)	P/E
Burlington North.	65⅝	9
Florida E Coast	42½	14
Kansas City S.	59⅛	19
S & P 500	245.67	16.73

seems likely to move forward again if the credit markets have genuinely reversed direction.

So, at least, ran the argument on Wall Street on Friday night. Stocks, however, seemed slow to accept the thesis, and will await today's opening in the bond market with caution.

The more optimistic analysts, already scenting steady growth in the economy, are beginning to seek out those stock market sectors likely to respond the most readily. The uncertain trend of the dollar has cast a shadow over the overseas earning stocks, including IBM and the pharmaceutical issues. IBM, as so often, is proving to be almost a stock market trend in itself, as Wall Street analysts vie with one another to downgrade their earnings forecasts.

Currency nerves have driven some investors back towards domestic stock sector. Rail stocks, largely overlooked since the plunge to new lows in March/April, have attracted increasing interest over the past fortnight.

Rail cargo traffic is a clearly identified signpost of US business activity and the stocks of the major retail carriers have long been "an integral part of the market's core leadership," says Mr Joseph Bartel, technical analyst at Butcher & Singer. Core leadership on Wall Street indicates an established presence in those major institutional portfolios which must lead the market if they are to outperform it.

It was this pivotal positioning that brought the sharp dip in rail stocks throughout March and April to levels which have lain steady since the beginning of May.

Burlington Northern, operator of the largest US rail network with 29,000 miles of track, slumped 22 per cent to $64 in March/April, but has now begun to edge higher in sporadic bursts of trading activity.

But lower fuel prices offer greater benefits than drawbacks to a diesel powered rail carrier of coal and grain, cargoes which cannot easily be transferred to road transport. Burlington Northern has high visibility in the stock market and may be held back by the generally modest tone of Wall Street's earnings forecasts. After a strong 1985, the group may turn in no more than a 1.6 per cent gain in profits this year.

Greater opportunities may lie in the less centrally placed railroads. Florida East Coast Industries, which operates entirely within its home state, where rapid expansion in both population and the economy has kept rail traffic trends ahead of the industry norm.

Also likely to benefit from lower fuel prices, Florida East Coast is expected to push earnings ahead by about 4 per cent this year. The stock is 15 per cent off its year's high and thus offers substantial recovery prospects.

Kansas City Southern, also well below its 1986 peak, may have special factors in its favour. Earnings prospects are somewhat uncertain because of losses in the fibre optics divisions. But the bullishness which is already driving the stock upwards lies in the prospects for a sell-off of the rail freight operations. The prospective selling price for the group's 1,700 mile network is likely to rise as the sector returns to stock market favour. With the Dow bumping its all-time peak, albeit in a somewhat nervy atmosphere, there are few sectors still offering significant growth in stock prices as in earnings.

DISARRAY AND DISASTERS HIT WEST'S SPACE PROGRAMME

Soviets' clear run into space

PY PETER MARSH IN LONDON

WHILE the US and West European space programmes are in disarray as a result of political wrangles and a stream of accidents that have grounded the West's main launch vehicles, the Soviet Union is quietly moving towards its goal of maintaining a permanently manned outpost in the heavens.

The country is gradually developing its prowess in using the new Mir space station, launched on February 20, together with Salyut-7, an older generation of space base, which is still in orbit after four years.

According to observers in the West, the Soviet Union plans to make Mir the core of a large complex of space modules. The station, a cylinder about 15 metres long, has six docking ports (four more than Salyut-7) for attachin a range of modules for scientific experiments and observation of the Earth.

Cosmonauts would live and work permanently in the complex, with crews being rotated using a new space ship, Soyuz TM, which was tested for the first time last week.

The TM craft, which docked unmanned for several days with Mir before separating last Thursday, is roomier and contains more advanced electronics equipment than the Soyuz T, the current version of space ship. The Soviet Union routinely uses its three-man Soyuz T vehicles to transfer crew and materials to and from space.

In the past few days, two cosmonauts, Mr Leonid Kizim and Mr Vladimir Solovyov, have attached a series of pylons outside Salyut-7 that could be used to house scientific experiments or to build up a large space structure, possibly a permanent bridge to Mir.

The US is 10 years behind the Soviet Union in the practical uses of space, according to the latest edition of Jane's Spaceflight Directory.

Mr Reginald Turnill, the editor, says the Soviet lead is "almost frightening." He expects the Soviet Union soon to have a range of 10 different types of expendable launch vehicles and two re-usable craft, similar to the US space shuttles. These would be able to lift up to 30 tonnes into orbit a few hundred kilometres above the Earth.

This array of craft would support both the Mir and Salyut stations now in space, together with a third generation of orbiting bases expected around the end of the decade. Mir, according to Mr Turnill, would act as the basis for the production of novel materials using exotic low-gravity processing methods. In contrast, the Salyut bases have been used mainly for experiments.

Last year, the Soviet Union launched 99 satellites, the country's highest tally since 1976. According to Jane's, the Soviet Union spends about $30bn a year on space activities, compared with about $20bn by the US. In both cases, more than half the spending is on military applications.

Soviet citizens have been in space for about 4,000 person-days, compared with less than half this figure for the US.

The activities of the cosmonauts, who have been in orbit since March 13, dividing their time between the two stations, were shown live on Soviet television, indicating the country's growing confidence in its space programme.

In contrast, space planners in the West are contemplating a disastrous series of launcher accidents that is beginning to undermine plans for future developments, such as a $12bn international space station planned for the 1990s, involving the US, Western Europe, Canada and Japan.

The space station, with room for about eight people, will be similar in concept to the Soviet orbiting bases, although probably bigger and using more advanced technology.

After the accidents, the US National Aeronautics and Space Administration (Nasa) has suspended flights of its space shuttle fleet and Delta and Atlas-Centaur rockets. To add to the West's difficulties, Europe's Ariane rocket was destroyed shortly after its most recent lift-off, its fourth failure in 18 missions.

Ariane will probably be grounded for several months while investigators try to find what caused the accident, leaving the West with no routine way of putting payloads such as communications satellites into orbit.

Until engineers can demonstrate a series of successful flights with these launch vehicles, confidence in the West's space capabilities will inevitably be shaken. The position is not helped by arguments between the US and the 11-nation European Space Agency (ESA) over the exact role for Western Europe in the space station plans.

As a result of the disagreements, ESA has failed to sign a Nasa document committing itself to the design stage for the orbiting base.

Some observers fear that by the time the West gets itself organised in building the space station, the Soviet Union will have established a significant lead in keeping people permanently in orbit.

"The Russians do not have any dramatic access to technology but they are ahead [in space developments] in a number of areas," according to Mr Roy Gibson, a former director general of ESA and the head of Britain's National Space Centre. "They just keep going. They do not seem to be put off by accidents."

According to Mr Peter Smolders, a Dutch journalist who keeps a close watch on the Soviet space programme and recently conducted a live television interview with the two cosmonauts now in space, the Soviet Union plans a series of four specialist modules for docking with Mir.

The modules, for low-gravity materials processing, astronomy, biology experiments and Earth observation with high-powered cameras, would probably not all be in place until next year. Until then, Mr Smolders thinks the Soviet Union will operate the Mir and the Salyut-7 concurrently, after which the older base might be allowed to drop in orbit and burn up in the atmosphere.

The Salyut base, despite its age, is valuable, Mr Smolders feels, because it contains much useful scientific equipment, for processing crystals for example.

UK, China in $50m study deal

By Alain Cass, Asia Editor, in London

BRITAIN AND China will this week sign a $50m deal to finance studies in the UK by Chinese students, during the visit to London this week of Hu Yaobang, the general secretary of the Chinese Communist Party.

The agreement, initiated by Sir Y. K. Pao, the Hong Kong industrialist, will be signed by Sir Geoffrey Howe, the British Foreign Secretary, and Li Peng, the Chinese vice-premier, accompanying Hu on his four-day visit.

The scheme will enable up to 300 students from China to study in Britain over a 10-year period and is aimed at reinforcing the Sino-British agreement over Hong Kong under which the colony reverts to Chinese rule in 1997.

The idea was originally proposed by Sir Y. K. Pao to Mrs Margaret Thatcher, Britain's Prime Minister. Under the plan, China is expected to contribute $20m and Britain $10m and the rest will be raised by the Hong Kong shipping magnate.

Although General Secretary Hu is not in Britain specifically to discuss the future of Hong Kong, the issue is bound to figure prominently in the talks, which begin today with a meeting with Mrs Thatcher.

Over the past six months, Britain and China have made considerable progress in negotiating detailed arrangements governing Hong Kong's future after 1997. Of those, the agreement to allow Hong Kong a separate role within the General Agreement on Tariffs and Trade is regarded as the most significant.

General Secretary Hu, whose visit to Britain starts a European tour that includes West Germany, France and Italy, will also have lunch with the Queen in Buckingham Palace.

His visit, which precedes the Queen's own trip to China in the autumn, is of considerable symbolic importance, and is in marked contrast to the poor state of relations between Britain and China since the beginning of negotiations over Hong Kong in 1982.

Student clashes, Page 2

Top Iraqi officials in Paris for talks

BY PAUL BETTS IN PARIS

MR TARIQ AZIZ, Iraq's Foreign Minister, was scheduled to arrive in Paris last night for urgent consultations with the Chirac Government at a time when France is seeking to improve relations with Iran.

Concern over the fate of nine French hostages held in Lebanon by Shia Moslem militants believed to be closely linked with Tehran appears to have been the immediate cause of the weekend expulsion from France of Mr Massoud Rajavi, the exiled leader of the People's Mojahedin resistance movement.

After a raid on his headquarters at Auvers-sur-Oise, near Paris, he was escorted to Le Bourget airport and put on board a private aircraft, which flew to Baghdad.

Mr Rajavi and his entourage were greeted there by senior members of President Saddam Hussein's regime, including Mr Taha Yassin Ramadhan, the First Deputy Premier, who is second in seniority, and Mr Adnan Khairallah, the Minister of Defence.

Mr Aziz's expected arrival within 24 hours of Mr Rajavi's departure indicates acute Iraqi concern. He is expected to see President François Mitterrand and Mr Chirac tomorrow and Mr Jean-Bernard Raimond, the French Foreign Minister, today. France has been Iraq's main Western economic partner and supplier of weapons for use in the war with Iran.

France is owed an estimated FFr 23bn ($3.2bn) by Iraq, about half of it for military supplies. French officials say that FFr 3.5bn is due in repayments this year and that Baghdad has recently been in arrears.

Support given to Baghdad was evidently the reason that nine French citizens were kidnapped in Lebanon by the shadowy "Islamic Jihad" group, which is believed to derive its inspiration from Ayatollah Khomeini's regime.

Iran has said in the past that it can exercise no control over elements holding hostages in Lebanon. But Tehran complained directly about the activities of the People's Mojahedin in France when Mr Ali Reza Mouyeri, its Deputy Premier, met Mr Chirac in Paris last month.

Mr Chirac ruled out any repatriation of exiles but said that France ought to make political refugees observe strict neutrality.

Iraq will, at least, be happy to host the people's Mojahedin.

British Gas loses battle over debt

By Lucy Kellaway in London

BRITISH GAS has lost its battle to be privatised with no debt in its balance sheet. The UK Government will announce in the next few weeks its decision to saddle British Gas with about £2.5bn ($3.75bn) of borrowings, which will moderate the corporation's ability to make acquisitions and large investments.

The shape of the balance sheet was one of the most important issues to be settled before the flotation due in November. By choosing to burden British Gas with debt, the Government is preventing it from becoming too dominant a force in the industry. At present, it has no net borrowings, whereas all of the other major oil groups carry a significant weight of debt.

The decision will ease the task of the flotation, the biggest ever attempted, by reducing the value of equity to be sold from the £7bn-£8bn to around £5bn, and may maximise the total proceeds from the sale.

It is also likely to allow the Government to fine-tune the timing of revenues from its privatisation programme. While the exact form of the debt has yet to be fixed, one possibility is that British Gas would repay debt to the Government over the next two years one a timetable that would dovetail with gaps in the Government's gilt-issuing programme.

Under the present arrangements, British Gas transfers an agreed proportion of its surplus each year to the Government. In the financial year, that was £176m, against a budgeted figure of £352m, reduced because of the effects of high gas costs and the weakness of sterling.

The cost to British Gas of debt servicing is not expected to put an undue burden on the corporation, which produced a cash flow of about £1.2bn in each of the last three years. Interest payments of about £250m a year will significantly reduce its 1985-86 profits, which are expected to be about £650m after tax.

Soviet space offer

Continued from Page 1

Mr Michael Marshall, chairman of the House of Commons all-party space committee, said yesterday that the proposal ought to be looked at seriously. But he suggested that the military orientation of Britain's current squad of astronauts could present one possible barrier to a joint mission.

Britain has four astronauts in training, all defence ministry employees. Two of the astronauts, Sqn Ldr Nigel Wood and Cmdr Peter Longhurst, had been due to fly aboard the US space shuttle on two separate trips to help in the launch of two UK Skynet military satellites. Because of the grounding of the shuttle fleet after January's Challenger explosion, Sqd Ldr Woods' trip has been postponed by at least a year from its scheduled date of later this month.

Cmdr Longhurst is unlikely to fly on the shuttle in the near future because Britain has switched the launch of one of the satellites to Ariane, the unmanned European rocket.

Moscow has offered in the past to use its rockets to launch Western satellites but, given the sensitive nature of the Skynet vehicles, it is unlikely Britain would agree to transport the space craft to the Soviet Union for takeoff.

Cmdr Longhurst said yesterday he had not yet heard about the Soviet offer.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	F	21	70	Malta	S	23	73	Rhodes	C	28	84
Algiers	S	23	73	Edinburgh	F	15	59	Manchester	F	15	59	Rio de Jo	—	—	—
Amsterdam	C	12	54	Faro	F	22	72	Manila	—	—	—	Rome	F	21	70
Athens	F	28	47	Florence	F	24	75	Melbourne	F	12	54	Salzburg	C	15	59
Bahrain	S	36	97	Frankfurt	F	16	61	Mexico City	—	—	—	San Francisco	F	15	59
Bangkok	—	—	—	Funchal	F	19	66	Miami	S	25	77	Seoul	S	27	81
Barcelona	—	—	—	Geneva	S	17	63	Milan	S	21	70	Singapore	S	27	81
Beirut	—	—	—	Gibraltar	F	23	73	Montreal	R	13	55	Stockholm	C	15	59
Belfast	C	13	55	Glasgow	F	12	54	Moscow	C	23	73	Strasbourg	C	17	63
Belgrade	F	20	68	Guernsey	F	14	57	Munich	S	18	61	Sydney	F	17	63
Berlin	C	12	54	Helsinki	S	17	63	Nairobi	F	21	70	Tangier	S	21	70
Biarritz	S	17	63	H Kong	C	25	77	Naples	S	23	73	Tel Aviv	S	31	88
Bombay	—	—	—	Innsbruck	F	17	63	Nassau	—	—	—	Tenerife	C	22	72
Bordeaux	S	18	66	Inverness	F	13	55	New Delhi	S	37	99	Tokyo	C	23	73
Brussels	C	14	57	Islamabad	—	—	—	New York	Fg	18	64	Toronto	F	18	64
Budapest	F	17	63	Istanbul	F	27	81	Nice	S	19	66	Tunis	F	23	73
B Aires	—	—	—	Jakarta	—	—	—	Nicosia	—	—	—	Valencia	S	25	77
Cairo	—	—	—	Jersey	—	—	—	Oporto	S	18	61	Venice	C	16	61
Cape Town	S	26	79	Jo'burg	F	11	52	Oslo	C	12	54	Vienna	F	16	61
Caracas	—	—	—	Lima	—	—	—	Paris	F	18	64	Warsaw	F	25	77
Casablanca	C	21	70	Lisbon	S	22	72	Peking	S	30	87	Wellington	F	18	64
Chicago	S	19	66	London	C	15	59	Prague	F	16	61	Zurich	C	18	64
Cologne	C	14	57	Los Angeles	F	15	59	Reykjavik	S	9	48				
Copenhagen	C	11	52	Luxembourg	F	14	57								
Corfu	S	26	79	Madrid	S	25	77								
Dallas	C	22	72	Majorca	—	—	—								
Dublin	F	14	57	Malaga	C	21	70								

Readings at mid day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Hopes fade for talks

Continued from Page 1

sidering any further economic measures.

The steady escalation of violence in South Africa has raised the demands within the Community to extend the list of measures agreed last September, which include a nuclear and arms embargo, the withdrawal of military attachés from Pretoria and a ban on sales of krugerrands.

The Danish Parliament has already agreed on a total trade embargo, and Ireland has decided to ban imports of South African fruit and vegetables. The Dutch Government is also under pressure to halt fruit and wine imports from the republic.

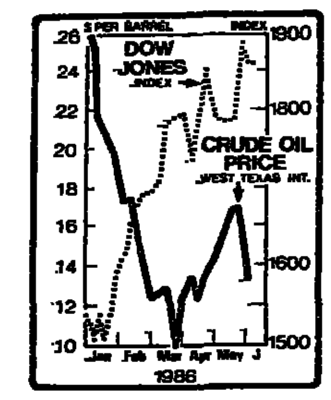
Before meeting last Wednesday to draw up its report, the EPG is understood to have rejected a request from the South African Government for further clarification of its proposals for promoting a peaceful dialogue between whites and blacks in the republic.

The members of the group, who have suggested the release from prison of Mr Nelson Mandela, former leader of the banned African National Congress (ANC), and the legalisation of the ANC itself considered Pretoria's initial reaction to their proposal to be too negative to merit further discussion.

THE LEX COLUMN

Petrodollars in reverse

The most recent spurt in markets worldwide has been based on a gut feeling that the oil price collapse in the first quarter would somehow lead to a reversal of the inflationary depression in the West that followed the oil price shocks of the 1970s. The recent series of drab growth and investment statistics in the Western economies has thus caused a new feeling of unease in the markets. The economists' lectures about lags in the world economy had earlier drowned in the din as dealers piled in for the quick fix that has not materialised.



Distortion

Lags aside, notions that the third oil shock would be a mirror image of its predecessors have foundered on the hard fact that net OECD oil imports in 1985 were 15.6m barrels a day against the 1979 peak of 26.9m. Disinflation, rather than deflation, and a wholly different version of income recycling offer a distorted reflection of the 1970s. If there is any element of the quick fix to be seen, it is the once-off disinflationary effect of halving the price of a key commodity.

There is an impression in some quarters that the battle against inflation has been more or less permanently settled by Sheikh Yamani. In reality the entire disinflation is already in the pipeline, and any upturn in oil prices beyond the kind of short-lived spurt seen in May might kick-start the old inflationary process. What last month's run up in the price of West Texas crude from $12 to $17 (and back again) has achieved is a renewed uncertainty about the path of oil prices, and increased difficulty in assessing even short-term growth prospects.

In the UK the oil price fall was talked of as an alternative to a speedy implementation of the 25 per cent standard tax rate. But it has not worked out that way, with inevitable consequences for the emotions of British fund managers. Record first-quarter profits from BP and Shell show how the oil majors have been able to use controlled markets to engineer remarkable price stickiness.

Although the Government castigated the oil companies for their oligopolistic practices, HMG has been equally adept at using a monopoly position in the energy field to short-change the consumer. British Gas, while losing industrial custom to oil, is imposing an increase on domestic clients. Last Thursday's statement by Mr Peter Walker that a 3.5 per cent reduction in electricity standard rates takes due account of the oil price fall appears the more remarkable against a fuel oil spot price fall from $135 to $50 a tonne this year.

In Japan there has been a similar process, or rather lack of process. Tokyo Electric is set for a profit windfall of around Y700bn this year, which appears earmarked for major capital projects rather than the pockets of customers. In countries where energy markets are not controlled there is the prospect that cheaper oil means higher oil imports, despite the best efforts of the International Energy Agency. In the US there is a move away from smaller cars and back to gas-guzzlers, while West German householders have been stockpiling heating oil on a grand scale. If Saudi Arabia had not come to believe that cut-price crude would lead to a strong rise in demand for Opec oil, it would hardly have stuck with its present policy.

One indication that the equity markets may be imbued with contradictory assumptions is that while cyclical stocks have been dramatically marked up on cheap oil, the oil companies whose asset values have imploded have not suffered a sell-off of symmetrical proportions. The oil sectors in New York and London both show slight gains on their position at the beginning of the year, thus obstructing potential predators, who are waiting for prices to fall into line with likely future assets.

The crude mirror image of the wealth recycling which may have buoyed equity markets in the spring will not work. It is not a return of funds from low spenders to high spenders. Precisely because of the earlier transformation, most of the Opec economies are no longer small ones. The West cannot just take the money and run; Opec cannot simply transfer over $50bn a year to consuming nations over and above its existing deficit. Petrodollars created by the high fixed oil price were recycled into developing countries; many with a high dependence on income from oil. The consequences for the banking system and the economies of the unfortunate beneficiaries are all too familiar. Today the question is how Japan, the world's biggest net importer of oil, will cope with the increase in its own colossal surpluses before the energy markets tighten again.

In the first instance the Japanese, assiduous savers, are piling into US Treasury Bonds at a rate of billions of dollars a month. That supports the prospects of growth in the US since US interest rates would rocket if the Japanese demand for US Treasuries fell. This sustains the mainline economists' view, that the secondary effect of the oil price cut – growth through more and cheaper money – is now dawning. But most US capital spending indicators do not suggest that business has sensed a rapid upturn in demand. Perhaps this is a reflection of the accompanying fiscal squeeze as the US deficit starts to be reduced.

Overwhelming

The Japanese will be more active with their money than were the Arabs. Despite the appearance of Western overcapactiy, the sharp rise in the yen makes it more urgent than ever for Japan to pursue its strategy of setting up industrial bases thoughout the West. Up to now, Japan has overwhelmingly put its surplus into fixed-interest securities. But Japanese institutions are now beginning to put more weight into equities. The recent stellar performance of the Tokyo market is tangible evidence, but that market alone will struggle to absorb the volumes of money available. The prospect of a Japanese drive into foreign equity markets is palpable; the wise investor may wait for that buying wave to come in before tiring of low-cost, oil-fired equities.

SECTION III

FINANCIAL TIMES SURVEY

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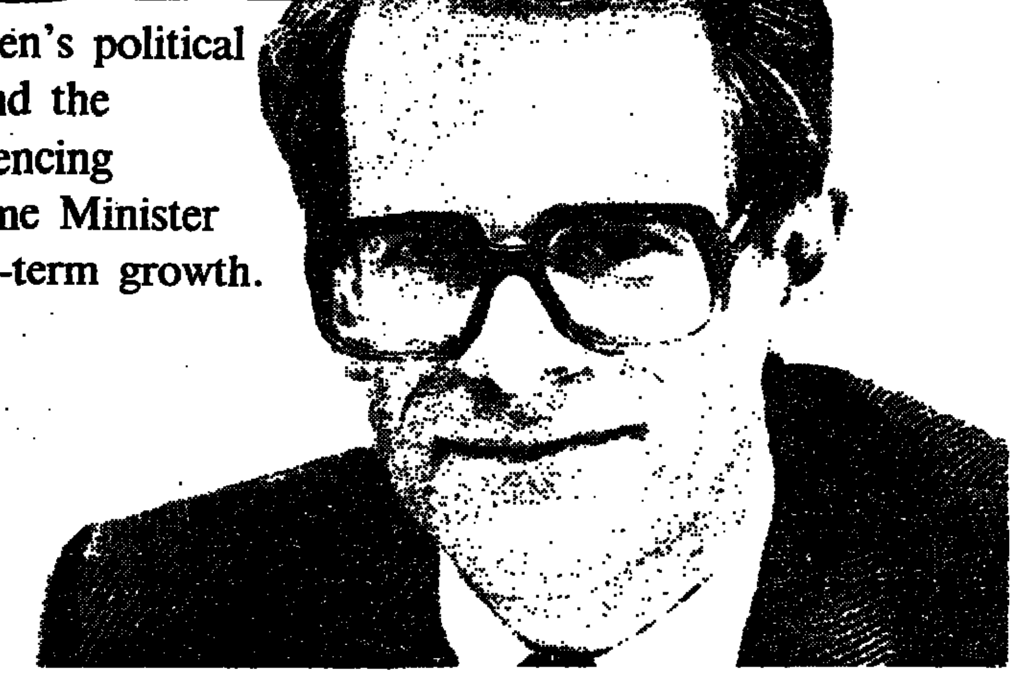
Sweden

Two events have had a powerful impact on Sweden's political and social life: the assassination of Olof Palme and the Chernobyl nuclear disaster. The country is experiencing improved short-term economic prospects, but Prime Minister Ingvar Carlsson must seek ways to stimulate long-term growth.



Ingvar Carlsson: leader suddenly given the reins of power

Year of hard realities

By Kevin Done

Nordic Correspondent

WITHIN a few months Sweden has been shaken twice, by the assassination of Mr Olof Palme, the Prime Minister, and by the radioactive fall-out from the Chernobyl nuclear plant disaster in the Soviet Union—two traumatic events that pose profound and disturbing questions in the nation's political institutions.

Unused to political violence, the Swedes were stunned by the murder of Mr Palme on an open street in the middle of Stockholm. Nearly three-and-a-half months later the killer has not been caught. The police still know neither his identity nor his motive.

The ruling Social Democrats moved with extraordinary speed to fill the political vacuum left by Mr Palme's death. Within 24 hours of the murder the party's national executive had decided to rally behind Mr Ingvar Carlsson, Deputy Prime Minister and for nearly 30 years one of Mr Palme's closest colleagues, as the next party leader.

In his first three months in office Mr Carlsson has scarcely put a foot wrong.

Riding the wave of public sympathy and the instinctive longing for national unity that inevitably followed an assassination, the Social Democrats are experiencing an unprecedented surge in popularity. According to recent opinion polls Mr Carlsson himself is enjoying the highest vote of confidence achieved by any Swedish political leader, since the 1939-45 war.

He has pledged himself to continue the policies pursued by Mr Palme. He has left the Cabinet almost unchanged, with the only move of significance the appointment of Mrs Birgitta Dahl, one of the Social Democrats' rising stars, as Environment Minister as well as Energy Minister.

Since the Chernobyl disaster a heavy burden has fallen on her shoulders. As the first country to detect the radioactive fallout from Chernobyl, Sweden has been deeply shaken by the now obvious risks caused by nuclear power station accidents beyond its frontiers, and is having to carry out a comprehensive reappraisal of its own nuclear power programme.

Sweden was already the first country in the world with a heavy dependence on nuclear energy — which now accounts for nearly half of electricity generation—to have committed itself definitively to closing down its reactors. That decision was made after a referendum in 1980 showed that a majority of Swedes favoured a phased abandonment of nuclear energy.

Nuclear power provoked one of the most bitter and divisive political debates, in the late 1970s, that the country had even seen. It was this issue that helped the Centre Party, traditionally the representative of agrarian and environmental interests, to build its support to unprecedented levels in the elections of 1973 and 1976, and bring to an end, if only temporarily, the Social Democrats' 44 years in power.

It was also disagreements about nuclear power that brought down one of the coalition governments led by Mr Thorbjörn Falldin, the former Centre Party leader, and few nations were as heavily influenced as the Swedes by the 1979 nuclear accident at Three Mile Island in the US.

Now the Centre Party, with its fortunes at a low ebb, is again taking up the cudgels on this vital issue and along with the Communists is demanding that Sweden's 12 nuclear reactors should be phased out before the year 2010, the date agreed after the referendum.

During the past 12 months Swedish industry in particular had begun to wage a campaign to have the decision of the nuclear referendum overturned on the grounds that the dearer electricity that would result from abandoning nuclear power would seriously undermine its international competitiveness.

Chernobyl has halted that bandwagon. But the Government has still to show that it can come up with a credible alternative to nuclear power for all its talk of energy conservation and alternative technologies. Strong environmental lobbies already exist to oppose both an expansion of hydro-power and an increased use of coal.

Meanwhile the mistrust of nuclear power can only increase, as the more long-term consequences of the fallout from Chernobyl become apparent. Some seven weeks after the accident the Swedish authorities were still not ready to allow farmers in the worst contaminated areas to let their cows out to graze.

Farmers in those areas have been advised to plough up their meadow land and move radioactive grass cuttings to waste piles at isolated locations on their land.

Information as to the extent of the contamination and on what protective measures are necessary have often been conflicting; and despite official attempts to calm the nation's fears it is clear that there is again a growing unease about nuclear power which could have significant implications for the political parties.

Top priority of the anti-nuclear campaign is to force the closure of the Barsebeck nuclear plant in southern Sweden. The two Barsebeck reactors are only a few miles from both Malmö, the third largest city in Sweden, and Copenhagen, the Danish capital, in the most densely poulated area of Scandinavia.

In a recent vote the Danish Parliament called officially on Sweden to close the two reactors.

While the long-term implications of the fallout from Chernobyl on political debate in Sweden are still unclear, there is little doubt that the murder of Mr Palme has abruptly and brutally marked the end of an era. Sweden is a greyer place without him.

He had not always been loved. He aroused strong emotions in both his admirers and his political detractors and he had an uncanny instinct for riling and irritating his opponents. In the often colourless atmosphere of Nordic politics, Mr Palme shone the more brightly, however, and he was unrivalled as a rabble-rousing orator.

Olof Palme was the undisputed leader of a Social Democratic party that has dominated Sweden for more than half a century, creating in the process the world's most advanced welfare state, and he was only the party's fourth leader since it was founded in 1889.

His passionate interest in international affairs gave Sweden a voice on the world stage out of all proportion to its size, and it is in his role of international statesman that he will be most sorely missed — not least in the developing world, whose cause he championed with unflagging zeal.

The rapid appointment of Mr Ingvar Carlsson as the new party leader (and Prime Minister) probably signals more a change of style than of substance in Social Democratic party politics, but it does open the way towards more constructive relations with the Opposition parties.

The Social Democrats have ruled as minority governments since 1982, and Mr Palme's combative, divisive style often appeared more calculated to repel than attract co-operation.

Mr Carlsson's style is far more measured and he will be helped too by the fact that his sudden rise to power coincides with leadership changes in the other main political parties.

Last week, Mr Ulf Adelsohn, leader of the Conservatives since 1981, surprisingly announced his resignation following the disappointments of the last election. At the end of last year Mr Thorbjörn Falldin, leader of the Centre Party and Prime Minister from 1976 to 1978 and again from 1979 to 1982, resigned after losing the confidence of important elements in the party as a result of a series of disastrous election results.

Swedish politics have thus been robbed of three of the most dominant personalities of the past five years. Mr Bengt Westerberg, head of the Liberal Party, who emerged as the main victor at the last election, is suddenly one of the longest-serving party leaders in Sweden — and he was appointed only 21 years ago.

For a long period before the last election it seemed that Mr Adelsohn might finally become Sweden's first Conservative Prime Minister since the late 1920s. When it came to the vote, however, it seemed that the Conservative message was too hard for the voters to stomach.

After running as high as 30 per cent in the opinion polls 12 months earlier, the Conservatives scored only 21.3 per cent at the election.

Inevitably, Mr Adelsohn has had to bear much of the criticism for this disappointment and with the party's fortunes falling further in recent months — in opinion polls it has been overtaken by the Liberals as the largest Opposition party — he has decided that after nearly five years it is time for a change of leadership.

With the Opposition parties in a state of transition and unable to offer much of a challenge, Mr Carlsson has been able quickly to consolidate his position. His first months in office have been marked too by a growing optimism about the economy—at least in the short-term—helped largely by falling oil prices, the weaker US dolllar and lower interest rates.

On the labour front it appears that the "honeymoon" period for the Carlsson Government is already over, however, and the first strikes of the 1986 wage round have broken out in the public sector — mainly in the Health Service among doctors, dentists and social workers.

Sweden's system of highly centralised national wage bargaining—a major element in the so-called "Swedish Model"—has been coming under increasing pressure for several years. There are strong indications that the two-year national pay deal, struck in the spring as a framework settlement for the private sector, will present serious problems at sector and local level if the 9-10 per cent ceiling (over the two years) is not to be exceeded.

On the surface life in Sweden appears to have returned to normal, but a terrible uncertainty must remain as long as Mr Palme's assassination remains unexplained and his killer is still at large.

Growing frustration has already placed the focus of the investigation as much on alleged bungling by the police as on the murder hunt as such. The police have been accused of seriously violating the rights of one suspect—since cleared—while the chief prosecutor in Stockholm has resigned from the case in protest at police interference with his work.

According to Mr Hans Holmer, the Stockholm Police chief who is leading the hunt: "The investigation into the murder of Olof Palme is a nightmare. It is impossible to imagine a harder case to solve."

Politics

Grief for Palme strengthens unity

WITH the funeral of their murdered Prime Minister, Olof Palme, earlier this year Social Democrats reached a new apogee. By the standards of Western democracy their hold on power was already phenomenal.

By the time of the next general election in September 1988 they will have ruled Sweden for 50 of the past 56 years and at present they look unbeatable.

With the memorial ceremony for Mr Palme they took their hold over Sweden a stage further and the party became the rallying point in the search for national unity. Suddenly, criticism of the Social Democrats seemed as bad as an attack on Sweden itself and the particular Swedish values that Mr Palme had made known far beyond the Nordic countries.

Although he had been murdered while in office the funeral was a Social Democratic rather than a state occasion.

Behind the simple white coffin there was one Swedish national flag, but it was only one of four. There were two red flags—one for the party and one for the trades unions—as well as the flag of the United Nations.

The city hall balconies were covered with hundreds more red flags, the standards of the party, of the trades union districts and the special interest group within the party itself.

It was the flags of the labour movement rather than the Swedish national flag that lined the route taken by the cortege to the graveside.

The funeral was organised by the Social Democratic Party and not by the state. The memorial ceremony—deeply moving with its themes of youth and hope—was a secular occasion officiated over by Mr Sten Andersson, Foreign Minister and for more than 20 years General Secretary of the party.

King Carl XVI Gustaf was present, but he spoke after Mr Ingvar Carlsson, who only days before had officially taken over the offices of Prime Minister and chairman of the party, and Mr Sten Andersson.

Social Democratic Party gatherings usually end with the singing of the Internationale. Out of deference to the hundreds of international leaders and heads of state that attended the funeral, the Social Democrats explained that on this occasion they had decided not to sing the Socialist anthem to show respect for the differing opinions and beliefs of some of the foreign guests.

The National Anthem was not sung. Instead the party chose the song "Vi Bygger Landet," (We Build the Land), which is almost as popular among the Swedish labour movement as the Internationale.

It could hardly offend foreign visitors, and Social Democratic sensibilities towards the differing beliefs of some of their guests clearly did not stretch to those invited from the Swedish political opposition.

The funeral ceremony was the culmination of the extraordinary closing of ranks that followed the waves of shock and national grief over the assassination of the Prime Minister. The manner in which the Swedes buried their murdered leader showed, perhaps more clearly than any other single event, just how far the Social Democrats have come in making their cause synonymous with that of Sweden itself.

At the best of times the splintered non-Socialist opposition parties have faced an uphill task to unseat the Social Democrats. In more than 50 years they succeeded only twice —at the elections of 1976 and 1979. Now, after the loss of Olof Palme, their task appears almost impossible.

A wave of sympathy towards the Social Democrats has been reflected in the sharp jump in their most recent opinion poll ratings. The latest poll taken by Sifo, the Swedish opinion research institute, and published at the beginning of June gives the Social Democrats fully 48 per cent of the support.

In the first poll, after Mr Palme's murder in February, the Social Democrats made a gain of fully six percentage points, unique in a Sifo poll.

A result of this wave of new support is that the Socialist bloc — comprising the Social Democrats and the Communists — now has an overwhelming lead over the Opposition, with 52 per cent of the support compared with 46.5 per cent for the four non-Socialist parties—the Liberals, the Conservatives, and the Centre Party together with its small ally, the Christian Democrat Alliance.

Even Svenska Dagbladet, the arch-conservative Stockholm morning newspaper, observed in a recent editorial: "Seldom has Swedish social democracy appeared stronger. The opinion ratings are high both for the party and its leader. The Government is facing hardly any problems in the Riksdag (Parliament).

Olof Palme: his death increases pressure on the parties to compromise

"Its theoretical dependence on the Communist party does not appear to play any great role in practice. The Government manages regularly to negotiate an agreement with one of the opposition parties without having to pay much of a price in the form of political concessions."

Since the election in September last year the political landscape has changed quite dramatically with the disappearance of the two personalities who had dominated Swedish political life for much of the 1970s and the first half of the 1980s, Mr Palme and Mr Thorbjörn Fälldin.

Mr Palme took over the Social Democratic leadership and the office of Prime Minister in 1969 and led the party through six elections, including the two defeats in 1976 and 1979. The Social Democrats are used to continuity and he was only the fourth leader the party had had since it was founded in 1889.

Mr Falldin was the man, who at least temporarily, managed to stop the Social Democratic advance. A farmer and the leader of the Centre Party he was almost the antithesis of Mr Palme. Against the intellectual agility and rhetorical brilliance of Mr Palme he often appeared rather cumbersome, but he also displayed a solidity and sincerity that won the support and affection of many Swedes.

Little love was lost between Palme and Falldin and as long as they were the leaders of their respective parties there appeared no chance of closing the gap between Right and Left that opened up during their respective years in government.

Mr Palme spoke of "an outstretched hand" towards the Opposition, but in practice the phrase remained rather empty. Mr Falldin, in any event, was openly sceptical. He displayed a mistrust of Social Democratic motives and a belief that whatever words they might use to sweeten their offer their actions showed that they were intent on pursuing divisive rather than conciliatory policies.

Mr Falldin's constant aim was a non-Socialist majority in the Riksdag, and controversial issues such as the Social Democrats' wage-earner fund system ensured that the Centre Party remained firmly in the non-Socialist camp.

The wage earner funds, established at the end of 1983 after a long and bitter political fight, are designed to siphon off a part of corporate profits into trade union-controlled funds set up to buy equity stakes in Swedish industry and the Opposition parties are still committed to their abolition if they regain power.

Two months before Mr Palme's murder, Mr Falldin fell victim to growing grass-roots opposition in the Centre Party after a series of disastrous election results. The Centre Party's vote declined to only 12.4 per cent at the last election compared with the peaks of 25 and 24 per cent respectively in 1973 and 1976.

Mr Falldin resigned when it became obvious that he had lost the support of the committee formed to conduct an inquest into the latest election defeat. After a brief period of infighting the party united around the deputy chairman, Mrs Karin Soder, who became Sweden's first woman party leader.

The emergence of Mr Ingvar Carlsson as leader of the Social Democrats and Mrs Soder as leader of the Centre Party has thus ushered in a new era. Political debate is likely to lack the sharpness and strong polemics of Mr Palme, and his replacement by Mr Carlsson should improve decisively the Social Democrats' chances of finding a majority for their policies in the Riksdag issue by issue without having to rely too heavily on the Communists — except when it suits them.

After all, the Social Democrats are a minority Government with only 159 seats in the Riksdag compared with the 171 seats of the non-Socialist bloc. They depend on the 19 Communists to give the Socialist bloc 178 seats and an overall majority of seven.

The tricky balancing act that appeared to face the Social Democrats in the Riksdag after the election has not been necessary, and they have managed with relative ease to steer their way through the Parliamentary rocks and shoals.

The personalities of Mr Carlsson and Mrs Soder mean that there is greater room for compromise, but the effect of Mr Palme's murder also means that there is added pressure on the parties to compromise. In his first address to the Riksdag as Prime Minister, Mr Carlsson made clear that under his leadership the government would seek closer links to the opposition.

"Violence has been thrust upon us. We feel grief and wrath—but at the same time a sense of closeness and national unity. The Swedish people expect us now to take joint responsibility for our country and its future without contrived friction and unnecessary conflict," Mr Carlsson said.

The Government, he added, would hold an "open door" to co-operation with the Opposition. But that Opposition still seems badly divided. Shifts of opinion do occur in the Swedish electorate, despite the Social Democrats' long years in power, but the changes tend to occur between the so-called bourgeois parties rather than between the Socialist and non-Socialist blocs.

At the last election it was the Liberals' turn to emerge triumphant under their popular new leader Mr Bengt Westerberg, who pushed their share of the vote up to 14.2 per cent from only 5.9 per cent in 1982. In several of the opinion polls since the election the Liberals have even managed to take the lead in the non-Socialist camp, pushing a rather lack-lustre Conservative Party into second place.

According to the latest Sifo poll, although the Liberals have lost ground they were still marginally ahead with 18 per cent against the 17 per cent support for the Conservatives and 10 per cent for the Centre Party (without the Christian Democrats).

An important new element entered the Swedish political climate with the Soviet nuclear plant disaster at Chernobyl, which could have unforeseen consequences for the party political balance. The Centre Party, which led the anti-nuclear debate during the later 1970s, has seen its fortunes recover slightly in the weeks since the Chernobyl accident.

Both the Centre Party and the Communists are pressing hard for an earlier phasing-out of nuclear power than the year 2010 agreed after the 1980 referendum; and the nuclear issue could again re-shape the Swedish political map in the late 1980s as it did in the 1970s.

Kevin Done

Chernobyl: the Soviet nuclear disaster could have unforeseen consequences for Sweden's party political balance

Taking over with ease

Sweden's new leader has performed impressively in his first months in office. Profile of Ingvar Carlsson by Kevin Done

IT TOOK Sweden's Social Democratic Party less than 24 hours after the assassination of Mr Olof Palme to close ranks behind a new leader, Mr Ingvar Carlsson.

As Deputy Prime Minister Mr Carlsson had been one of the earliest to arrive at Rosenbad, the Government chancellery, in the first cold, dark hours of Saturday March 1 as the shocking news began to spread that Mr Palme, the Prime Minister and the Social Democrats' undisputed leader since 1969, had been shot dead in a street in central Stockholm.

The display of party unity was impressive. Under almost any other circumstances the choice of Mr Carlsson would have appeared far from automatic—at least to outsiders—but it is a tribute to his achievement in his first three months in office that today the wisdom of his appointment is scarcely questioned.

Even to Swedes Ingvar Carlsson has been something of an unknown quantity, apparently content to work in the shadow of Olof Palme for much of his political career. The apparent ease with which he has taken over the reins of power, however, says much of the detailed knowledge he has picked up both of the workings of government and of the party in almost 30 years in politics.

He is a hardworking and determined man, intelligent and well-organised, incisive in an argument and with a ready reply. Though formal in manner, he is not afraid to politely say no and is said to have a roguish sense of humour.

As a speaker he is pragmatic and, in contrast to Palme, careful not to arouse emotions which could be divisive.

In many ways his career has followed a similar path to that of Olof Palme, but in terms of background they grew up a world apart.

Although Palme was adept at finding radical elements in earlier generations of his famliy, he in fact grew up in a deeply bourgeois family with roots far from the Swedish labour movement. His father and grandfather were managing directors of Swedish insurance companies, his mother and grandmother both came from aristocratic backgrounds and he he educated at one of Sweden's leading private schools, Sigtuna.

Ingvar Carlsson, on the other hand, has impeccable working class credentials. He was born in the textile town of Boras in the west of Sweden in 1934. His father was a warehouseman and his mother a textile worker. He took the commercial course at the local grammar school before moving on to Lund University to study political science.

Already in his school days he was involved in the Social Democratic Youth Movement (SSU) with politics becoming a passionate interest alongside football. At Lund he became chairman of the Social Democrats student group, and it was while at the university that he first attracted the attention of Mr Tage Erlander, the then Mr Tage Erlander, the then Prime Minister.

Like Olof Palme before him, Mr Carlsson was brought into the Prime Minister's office as one of Tage Erlander's assistants and stayed there from 1958 to 1960, before he chose to go to the US, to Northwestern University, Evanston, Chicago, to study economics.

Explaining his move in an interview at the time, Mr Carlsson said: "I want to study the new type of unemployment they have there, which comes from automation and a high degree of rationalisation in parallel with a saturation of some consumer goods. It's what we risk getting here in the future too."

After a year he was back in Sweden to take over as chairman of the SSU, a job in which he travelled the country, becoming personally acquainted with many of the budding Social Democrat politicians who today hold positions of responsibility in both local and central government.

In 1963, he gave an interview as SSU chairman on the theme of "If I were prime minister . . ." He wanted fewer old-timers in parliament with other jobs besides politics; he wanted to promote a professorship in sexology, to pull down the class walls around the foreign ministry and open the diplomatic service to ordinary people. He wanted to close the Swedish Embassy in South Africa and open new embassies in Africa and Asia.

Mr Carlsson was elected to parliament in 1966 as the country's youngest MP and three years later he became a junior minister in the Cabinet Office of Tage Erlander. In 1969 he became Minister of Education and in 1973 Minister of Housing. He has been a member of the party executive since 1972.

In his years in government and opposition Mr Carlsson has had to deal with some of the thorniest political problems of the day, seeking to reconcile different streams within the labour movement. He was Education Minister in a period of student unrest and university reform, and in opposition he had the task of building a social democratic platform on the issue of the development of nuclear energy, a debate which split Sweden and threatened to split the Social Democratic Party.

With all these jobs he remained in the shadow of Olof Palme, choosing to work within the party to develop future strategy rather than to compete with Palme for the limelight on the domestic or the international stage.

Carlsson led the crisis group that plotted the Social Democrats' party programme "A future for Sweden" in the run-up to the 1981 party congress. The work prepared the ground for their election victory in 1982 with the so-called economic policies of the Third World.

It was also Carlsson who prepared the ideas programme for the 1984 congress. The right-wing opposition had tried to kindle a debate on freedom and the right of individual choice instead of state direction. In a country with the biggest public sector and the heaviest tax burden in the Western world, the conservatives appeared to have found a winner. It was Ingvar Carlsson who was given the job of leading the ideological counter-attack, which he did with a programme of ideas entitled: "The future in the hand of the people — social democratic programme for citizenship and freedom of choice."

From 1982 onwards he was Deputy Prime Minister, playing the role almost of a one-man think-tank. He was called sometimes the Minister for the Future, seeking to come up with strategies for dealing with problems ranging from how to educate the population to live with computers, to devising new strategies for combatting crime and improving child care provisions.

However unexpected his appointment as Prime Minister, he has performed impressively in his first three months in office. Little more than a month and a half after he took over the leadership as many as 82 per cent of Swedes expressed great confidence in him, the highest poll rating ever achieved by a Swedish political leader.

Having taken over in the most tragic circumstances, Mr Carlsson has firmly seized the initiative in Swedish politics. He now has to prove he can keep it, a heavy burden for a Social Democratic leader in a country where the party is used only to winning.

Foreign Policy

Consensus on the rule of law

SWEDISH FOREIGN policy may at times appear quixotic, but even when political leaders are deeply worried about distant injustices it would be wrong to think that this concern is purely altruistic.

"Enlightened self-interest" is the explanation offered by officials and others of the penchant of Swedish leaders to speak their minds about wider issues apparently unconnected with the problems of this Nordic nation.

The guiding principle of Swedish foreign policy is security through non-alignment in peacetime and neutrality in the event of war. It therefore seeks to avoid falling under the influence of the nearest superpower, the Soviet Union, while not becoming a menacing outpost of the distant superpower, the US.

Relations with the US were as icy as a Nordic winter during the Vietnam War. Now they are pretty cool with the Soviet Union because of incursions by its submarines into Swedish territorial waters.

This was one of the key issues raised in Moscow in April when the new Prime Minister, Mr Ingvar Carlsson, made the first visit by a Swedish leader to the Soviet capital in recent years. Little real progress was made in the discussions, but officials believe that the visit did help to improve the atmosphere.

Swedish suspicions of Moscow have reached an all-time high, according to a recent opinion poll. This showed that 87 per cent of Swedes perceived the Soviet Union as either unfriendly or a threat. The essence of Stockholm's attitude towards Moscow is to try to maintain good relations so that Sweden will not be harmed.

Sweden may have become almost synonymous in the modern world with the advocacy of peace and disarmament, but the Swedes are not starry-eyed romantics. Military service is compulsory and high defence spending is accepted as essential if potential enemies are to be convinced that an invasion would be difficult, costly and bloody.

The Swedes believe that they have avoided war for 170 years not only because of geographical and political circumstances but also thanks to their policy of neutrality allied to strong preparations for self-defence.

The policy of neutrality in wartime does not mean that Sweden is neutral in the views it expresses. It was one of the first western countries to criticise publicly US involvement in Vietnam. It has been outspoken about the Soviet invasion of Afghanistan and the recent US air raid on Libya.

"We condemn the Soviet invasion of Afghanistan because we don't want them here," a senior government official said in a frank explanation of what to some may appear as Swedish "meddling" in other people's affairs. "Our international involvement is part of our defence efforts," he explains.

The Swedish Government, whatever party or parties are in power, firmly believes that the survival of small nations in a world of superpowers depends on scrupulous observation of the rule of law in international affairs.

The murder earlier this year of Mr Olaf Palme, Prime Minister and a leading spokesman for many years on the inviolate nature of national sovereignty and territorial integrity, has not caused any change in Swedish attitudes. While the personal style of his successor, Mr Carlsson, may be more muted, he will continue the same policies. Officials explain that these were reached by consensus and not through the dictates of one politician.

The defence issue has become much more pointed since the "whisky on the rocks" incident in 1981 when a Soviet "whisky-class" submarine ran aground on rocks near Karlskrona. This irrefutable proof that Soviet submarines patrol inside Swedish territorial waters came as a severe shock to the Swedes, despite their earlier suspicions.

It set off a new debate about defence policy which concentrated on the issue of spending levels. The allocation of resources for national defence is now under review by a multi-party committee. After receiving its recommendations the Government will draft a bill to be tabled in Parliament.

The main debate concerns the level of spending rather than the strategic and tactical concepts which underlie defence policy. The Government proposal to spend SKr 7bn for the period 1987-92 was publicly criticised by the military which then demanded that spending be increased by SKr 8bn.

The fact that the proportion of Gross National Product devoted to defence fell from nearly 5 per cent in the 1960s to just over 3 per cent in the 1980s was hardly discussed.

Some Swedes feel there is need to question current defence doctrine, which assumes that any Soviet aggression would come only in the context of a much broader conflict which would limit the resources available for attacking Sweden. But this has not yet become an issue.

Neither, apparently, has there been much discussion of the quality of the training of conscripts for the infantry. Some experts feel that while their keenness is not in doubt they would be little better than cannon fodder. There are also doubts about the effectiveness of the call-up system, which is supposed to be able to put 800,000 men under arms within 72 hours.

The continuing debate about arms sales policy is more vigorous. If Sweden is to remain neutral and independent it needs to be mainly self-sufficient in arms supply, so it manufactures everything from front-line fighter aircraft to tanks and artillery.

To make this more feasible economically it is essential that the weapons manufacturers be able to export their products. But this raises questions about the morality of arms sales abroad. Sweden prohibits arms exports to countries actually in armed conflict or into areas of potential conflict.

There is also a ban on sales to countries that fail to guarantee that such arms will not be exported to third parties.

Recent revelations that Bofors, a leading gun manufacturer, may have sold weapons to the Middle East through intermediaries in Singapore and Yugoslavia have only added to a controversy which has been given further relevance with the announcement of a SKr 8bn-10bn sale of artillery to India.

David Lennon

The Economy

Oil price fall lifts the gloom

SWEDEN'S short-term economic prospects have improved substantially thanks to falling oil prices, the lower dollar exchange rate and reduced international interest rates.

The gloom that pervaded most economic forecasts towards the end of last year has lifted. According to Mr Kjell-Olof Feldt, the Swedish Finance Minister, Sweden now has "a unique opportunity to eliminate remaining imbalances in the economy and to establish a sustained low rate of inflation."

Whether such confidence is justified remains to be seen. The country's ability to slow labour cost increases to the level of competing countries is still under question, and there is little doubt that Sweden's international competitiveness will be further eroded this year.

The country faces serious labour market difficulties with particularly intractable problems in the public sector, where negotiations could drag on until the autumn. Because of the big carry-over from last year public sector wages will rise by at least 6 per cent in 1986, even without the addition of a single ore in this year's negotiations.

The Government hopes to negotiate a two-year agreement with virtually no additional increase in 1986. Such an approach appears to guarantee a long hard summer on the labour front. Strikes had broken out in the health service among doctors and social workers in May.

In the private sector national framework agreements have been reached by SAF, the Swedish Employers Federation, with both the blue collar and the white collar workers' union confederations, but translating these agreements into binding settlements at local level is fraught with serious problems.

Crucially, however, the agreements cover two years and give wage increases in 1987 below the 1986 level. According to the pay deal struck at national level, wage costs are supposed to rise by 9-10 per cent over the two years, but many economists believe wage drift could still push up industrial wages this year by 7-8 per cent.

There is a gaping loophole over the development of the rate of inflation. If this exceeds 3.2 per cent at the end of the year the unions can demand fresh negotiations, which could mean that trouble has simply been postponed.

Kjell-Olof Feldt: opportunity to eliminate remaining imbalances

Equally any wage drift above an agreed level of about 1.5 per cent in 1986 is supposed to be subtracted from next year's rises, but opinions vary on how this clause should be interpreted.

Dramatic changes in the international economy mean, however, that Sweden has a better chance than for many years to deal with structural imbalances. The official forecasts presented in the revised national budget for 1986/87 presented a much more optimistic picture than the budget published in early January.

On a per capita basis Sweden remains one of the largest oil consumers in the world. Largely because of falling oil prices the current account of the balance of payments is expected to show a SKr 3.4bn (£313.4m) surplus instead of the SKr 5.3bn deficit forecast in January.

Sweden's external payments position has improved markedly this year. Last year it ran up a current account deficit of SKr 9.4bn compared with a modest surplus of SKr 3.2bn in 1984, the first surplus since 1973.

In the first three months of 1986 the current account showed a surplus of SKr 2.9bn compared with a deficit of SKr 8.2bn in the same period of 1985. In the first four months of 1986 the trade balance swung into a surplus of SKr 11.1bn from a surplus of only SKr 1.7bn a year earlier. According to the Central Statistical Bureau nearly half the improvement stemmed from the steep fall in oil prices.

The underlying trade picture, excluding oil and ships, has also brightened this year, however, while the value of exports in the first four months rose by 5 per cent, the value of corresponding imports has fallen by 1 per cent.

Falling oil prices and lower international interest rates are also helping to bring inflation to the lowest level since the 1960s. Optimistically the Government is forecasting that the 12-month rate of consumer price inflation will have declined to little more than 2 per cent by December with an average increase for 1986 of 3.5 per cent.

Inflation at the end of April was down to 4.5 per cent on a 12-month basis and is forecast to fall to 2.3 per cent by December compared with 5.8 per cent in December 1985 and 8.1 per cent in December 1984.

Worryingly Sweden still has some way to go to close the inflation gap with its chief rivals in international markets. The rate in its eight main trading partners had already fallen to an average 2.3 per cent in March with West Germany and the Netherlands showing the lowest rates of increase at just 0.1 per cent and 0.7 per cent respectively.

While the growth of the Swedish economy will lag behind the average for the OECD countries this year, the outlook has improved over the last six months. In late April the Government raised its forecast for the growth of gross domestic product (GDP) to some 2 per cent from the January level of only 1.6 per cent.

GDP rose last year by 2.3 per cent. This was less than the 3.4 per cent achieved in 1984—a year of very strong export-led growth—and marginally below the level of 2.4 per cent reached in 1983, but it was still the third year in succession that the growth rate had surpassed the 10-year trend of a meagre 1.6 per cent annual growth.

Compared with the previous years of stagnation and recession, the Swedish economy has staged a sustained recovery since late 1982. At the same time the country has managed to maintain one of the lowest levels of unemployment in the industrialised world, with the number officially out of work under 3 per cent. The achievement is still impressive, even if the figure is nearly doubled to include those benefiting from job creation measures or retraining programmes.

Private consumption and investment provided the main impulse to growth last year. With a rise of 2.7 per cent consumer spending increased sharply in comparison with recent years. The Government expects private consumption to play an important role again in 1986 with a further rise of 2.7 per cent helped by a stronger development of real disposable incomes.

After several years of falling real wages when high nominal increases were quickly eroded by rampant inflation Swedes are now enjoying a modest improvement in purchasing power. Large increases were reported last year for purchases of new cars, radio and television sets as well as clothes and shoes, and the upsurge has continued into 1986.

In March the retail sector enjoyed its strongest single month so far in the 1980s. Retail sales volumes were 4.4 per cent higher in the first three months than in the same period last year. For the moment the improved curent account position has left some room for higher consumer spending, which inevitably sucks in higher import volumes, but the strength of private consumption is causing some concern in the Finance Ministry. It is also cited by Mr Bengt Dennis, governor of the Swedish Central Bank, as an important reason for the authorities' continuing caution in lowering interest rates.

For Swedes, however, the consumer boom has been a long time coming, and in the longer perspective of the last 10 years the development of private consumption has been rather weak. Since 1975 it has increased by only 6.8 per cent compared with a corresponding figure for the OECD as a whole of more than 30 per cent.

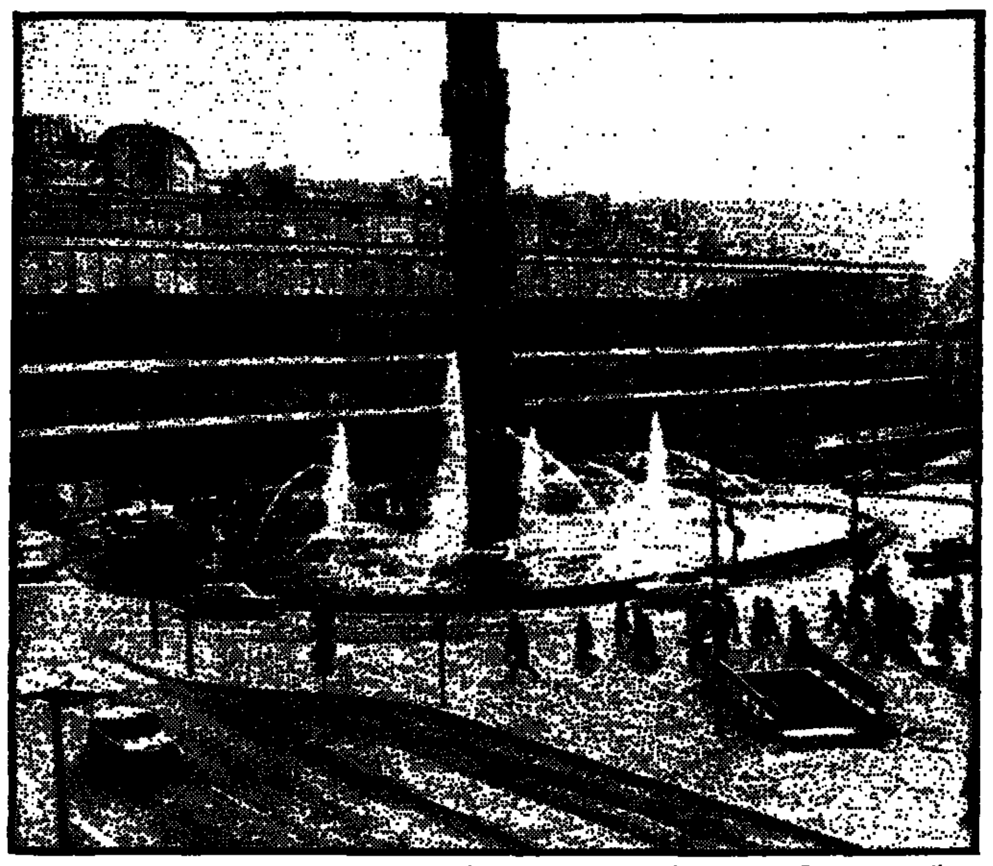
Real disposable income rose by about 2 per cent last year, but it was still only 1.5 per cent higher than in 1975. At the same time household saving continued to decline and the saving ratio was calculated to have fallen below zero last year.

With the highest tax burden in the Western world and the largest public sector, the Swedish Government is now seeking to hold back public expenditure to make room for real wage increases.

One of the undoubted successes of the Social Democratic Government in the last four years has been to prune back the bloated state budget deficit. Here too it is receiving welcome assistance from the weaker US dollar and lower interest rates. The latest forecasts of a budget shortfall of some SKr 45bn in the year 1986/87 show that the deficit has been almost halved since 1982/83.

The government claims that it intends to persevere with its restrictive budget policy—it is also seeking to draw in the surplus liquidity of the local authorities—and it insists that at central government level any increases in expenditure must be compensated by cuts elsewhere in the budget.

Kevin Done



Sweden's Parliament, the Riksdag. One of the Social Democrat Government's successes has been to prune back the state budget deficit

The Swedish economy

Annual percentage change, volume

	1984	1985	1986†
Private consumption	1.3	2.7	2.7
Public consumption	2.0	1.5	1.3
Central government	0.3	−0.1	−0.9
Local government	2.7	2.1	2.1
Gross fixed investment	3.9	6.5	1.9
of which: Industry	16.6	15.8	5.0
Stockbuilding*	0.7	0.7	0.3
Exports of goods and services	6.5	2.8	5.3
Imports of goods and services	4.7	7.5	6.7
GDP	3.4	2.3	2.0
Employment (no. of persons)	+36,000	+43,000	+30,000
Unemployment level (per cent)	3.1	2.8	2.7
Consumer prices (Dec-Dec.)	8.1	5.8	2.3
Mining and m'f'ng (per cent)	7.1	2.1	3.0
Budget balance (bn kroner)	−75	−57	−48

* Change as a percentage of GDP of the previous year.
† Estimated.
Source: Ministry of Finance

Balance on current account

	1984	(Kr bn) 1985	1986†
Exports of goods	243.5	260.9	271.1
Imports of goods	217.9	244.0	243.5
Balance of trade	24.6	16.0	27.6
Errors and omissions	−3.7	−3.6	−3.2
Balance of services	9.4	8.5	7.2
Balance of transfers	−27.1	−31.3	−28.2
Balance on current account	3.2	−9.4	3.4

† Estimated
Source: Ministry of Finance

Foreign Aid

Budget strain puts pressure on target

ONE OF SWEDEN'S most cherished foreign policy claims is its commitment to a high level of foreign aid spending, the cornerstone of its stance in relation to developing countries.

Carefully cultivating its image in the Third World, an important market, Sweden is officially committed to spending 1 per cent of Gross Domestic Product (GDP) on aid to underdeveloped countries.

Stockholm is quick to remind former colonial powers of the "heavy historical responsibility" they bear for their former attempts to achieve "control and systematic exploitation of the natural riches" of the Third World

Yet a closer look at Stockholm's policy reveals that, under the pressure of budget constraints, the much-touted 1 per cent commitment (to which the country adhered from 1975-76) was temporarily suspended in 1984, and achieved in subsequent years only by what some political opponents term "creative book-keeping."

Further, not even Sweden is an exception to the general rule that foreign aid (combined here with the newly-inaugurated "balance of payments support" system) is of at least as much service to the economic and political goals of the donor as it is to those of the recipient.

About one-third of Swedish aid is tied, and as much as 50 per cent of total disbursements return directly to the coffers of Swedish multinational companies, an official at the SIDA development agency estimates.

Roughly 30 per cent of Swedish foreign aid is channelled through the multilateral institutions such as the World Bank and UNDP. The bulk of *direct aid is administered* by SIDA on a programme-country basis, and by BITS, the Commission for Technical Assistance.

A relatively high proportion of Swedish aid takes the form of direct aid — and a large part of earlier soft loans have been written off. A system of concessionary credits (with a 25 per cent grant element worth roughly SKr 500m) also exists to finance the purchase of Swedish-produced goods and services.

Of the total bilateral aid, about 45 per cent is sent to countries in southern Africa including Mozambique, Zambia and Botswana, as part of Sweden's attempts to counter South Africa's destabilising policies in the region.

This year, the government has proposed total foreign aid spending of SKr 8.94bn, an increase of SKr 880m. Roughly half of this increase is to be used to write off the debts owed by the three above-mentioned nations, plus Vietnam, for goods already delivered by Swedish companies.

This so-called "balance-of-payments" aid has drawn sharp criticism, not least within the organisation for Economic Co-operation and Development's (OECD) Development Aid Committee.

Moreover, a large part of the annual appropriations in fact have not been disbursed. As one OECD source put it: "These little quirks make one wonder why they want to introduce blemishes on an otherwise good record."

The Swedes have though made great efforts to improve the effectiveness of their aid system, following several controversial and expensive large scale projects.

Among these have been the Bai Bang forestry complex in Vietnam which, although it has soaked up the bulk of the SKr 4bn in aid which Sweden has sent the country since 1970, is generally considered to have proved *an expensive*, *unproductive* and embarrassing folly.

"We've had a tendency to go into unknown countries with too big sums," the retiring SIDA Director, Mr Anders Forsse, concedes "we were in too big a hurry, we didn't know enough, *and the personnel were not* always adequately qualified."

The agency's newly-appointed chief, Mr Carl Tham, says "In the future, I believe we will have to be more careful with big projects."

This implies an increasing focus on "grass roots" efforts. The OECD has already cited Sweden for "the priority given to agriculture, rural development and the satisfaction of the basic needs of the poor . . . (its) . . . aid has increasingly focused in directly productive sectors."

However, the government also faces sharp criticism at home for its attempts to use aid *to further ideological* and foreign policy goals not necessarily related to development, such as its support for Vietnam and Nicaragua.

Ms Margaretha af Ugglas, a prominent Conservative party Parliamentarian, has unsuccess*fully spearheaded an attempt to* cancel all existing Swedish commitments to the Bai Bang project in Vietnam.

"It is inconceivable," she says, "that this project can be allowed to continue despite the fate of the boat people, the continued occupation of Cambodia, and forced labour at Bai Bang."

However, Sweden's Foreign Affairs Minister, Mr Sten Andersson, responded in a recent Parliamentary debate that human rights deficiencies "cannot in general be cited as an impediment to co-operation with developing countries."

Nonetheless, he warned, "human rights have come to *play an increasingly important* role in the selection of countries, in the design of aid and in decisions to discontinue development assistance."

Sten Andersson, Foreign Minister: human rights no impediment

Trade

Erosion of competitiveness

SWEDEN'S TRADE surplus declined to SKr 15.8bn last year from SKr 24.3bn in 1984 and the country lost market shares abroad despite a 3 per cent rise in the volume and a 7 per cent increase in the value of exports.

The economy is highly dependent on trade, with about 50 per cent of its output of manufactured goods exported. Europe, both EEC and EFTA, is the largest customer, providing nearly 70 per cent of the country's export market.

Rising costs and higher-than-average inflation eroded its competitiveness during the 1970s, but that was offset during the 1980s by devaluation of the krona in 1980 and 1982. More recently, the movements in exchange rates, such as the falling dollar and the strengthening Deutschemark, have been beneficial. So has the lower oil price, with certain exceptions.

The purchasing power of three important customers—Norway, which accounts for *10.5 per cent of total exports*, the UK, with 10 per cent, and the Soviet Union, which though it has only 1 per cent of the total is the largest Eastern bloc customer—is expected to be adversely affected by the decline in revenue they are sustaining as a result of the fall in oil prices.

But this loss is likely to be more than offset by the positive effect of oil price changes on Sweden's other main trading partners in the EEC as well as the reduction in the energy import bill, which was 20 per cent of the total last year.

Last year imports climbed at a much faster rate than exports, up by 12 per cent in value and 9 per cent in volume, according to the Central Bureau of Statistics. Imports totalled SKr 243.6bn in 1985.

The trade surplus would have been even lower had not export prices increased faster than import prices during the year.

The export boom of 1983 and 1984, which had been stimulated by the 16 per cent devaluation of 1982, was clearly flagging when the 3 per cent volume increase is compared to the 8 per cent increase in 1984 and the 12 per cent rise in 1983. Total foreign sales last year were SKr 259.4bn.

A substantial increase in imports was a strong factor in dragging the current account of the balance of payments into an estimated deficit of SKr 10.3bn last year compared with a short-lived surplus of SKr 3.2bn in 1984—the first time in a decade that Sweden had shown a current account surplus.

The port of Gothenburg.
Half of Sweden's output of manufactured goods is exported.

The growth in the value of exports to the US, which last year went ahead of West Germany as the largest single country market with an 11.6 per cent share, slowed down last year. Sales rose by a dramatic 49 per cent in 1983-84 and a more modest 9 per cent in 1984-85.

By the last quarter of 1985, however, the falling dollar meant that the value of Swedish exports there actually fell by 6 per cent.

As an economic area the EEC is by far the most important export market for Swedish goods, accounting for about 50 per cent. The volume of exports to the EEC had been rising in recent years, though there was little improvement last year.

EFTA, of which Sweden is an important member with a larger population than Austria *or Switzerland*, continues to be a significant market, though it is declining gradually as exporters concentrate their marketing efforts in the main EEC member states. Nonetheless, it still accounts for some 17 per cent of Swedish exports.

Exports have also been growing strongly to more distant and previously neglected markets such as Canada, up 33 per cent last year; Australia, up 28 per cent; and China, up by a massive 83 per cent in 1985.

Trade co-operation with Sweden's Nordic neighbours continues to be significant. Last year Norway, Denmark, Finland and Iceland accounted for 25 per cent of the export market. Stockholm, in concert with the other Nordic capitals, has been active in identifying and eliminating technical and administrative obstacles to the growing trade co-operation between enterprises across their borders.

The government is forecasting a slight improvement in the trade surplus this year, to SKr 18.2bn, with a 4.5 per cent volume increase for exports and a rise of 4.9 per cent in the volume of imports.

Engineering products showed the strongest advance in exports last year, with increases also registered for pharmaceuticals, paper and steel.

Among the imports, capital goods were up 15 per cent in value, about the same level as in 1984. Machinery for specific industries, particularly paper-making plant, was up 26 per cent in value. Computers comprised 12 per cent of this specialist category and rose 18 per cent in value.

Energy, which accounts for about 10 per cent of total import value, rose 10 per cent. The bulk of this was crude oil, *some 53 per cent of which* comes from the UK. The Middle East now supplies only 2 per cent of crude imports, compared to 50 per cent in 1980.

Although accounting for only about 1 per cent of total exports, arms sales have always been a contentious issue in Sweden. Official policy is not to sell weapons to nations at war or likely to get into a conflict.

That is the principle. In practice this appears to be open to interpretation and thus to controversy. The recent agreement to sell SKr 10bn worth of artillery to India is a classic of its kind — on the one hand a major export victory and on the other a dubious stretching of the moralist principles laid down for Sweden's merchants of death.

Mr Ingvar Carlsson, the Prime Minister, presides at a Press conference last month to announce a judicial inquiry into the full circumstances and repercussions of Olof Palme's death. The assassination has had far-reaching effects on a Sweden which has changed considerably in the past decade

Immigration

Huge change in Swedish society

WHEN Mr Ingvar Carlsson met the Press for the first time as acting Prime Minister in the grim first hours following the assassination of Mr Olof Palme, an odd-looking bit of plastic stood out on the lapel of his black suit.

It was the brightly coloured shape of an upheld hand, the French-inspired SOS anti-racist logo — printed with the admonishment: "Hands off my friend!"

The same symbol was printed on T-shirts pointedly worn by the entire choir which sang the country's farewell at Mr Palme's funeral.

But another more disturbing sign could be seen on the streets — the letters DSS traced on to grimy windows, spray-painted on to walls and carved into trees. Translated, it means "Keep Sweden Swedish."

The Government's conscious decision to introduce the anti-racist theme into the sombre proceedings following Mr Palme's death represented an attempt to counter the then widespread suspicion that the assassin might have come from the ranks of Sweden's own immigrant community.

The fear was that this could fan the embers of latent hostility and resentment, which exists to a growing extent in some quarters of the country, into open flame.

The complexion of Swedish society has changed radically in the post-war years as a result of the nation's liberal policy on refugees. What was once perhaps the most homogenous culture in Europe has found itself dealing, for the first time in its history, with the consequences of large-scale immigration.

In 1950 Sweden had only 89,000 foreign-born residents, corresponding to 1 per cent of the population. The overwhelming majority of these came from *other parts of Scandinavia*.

Of today's 8m population, 645,000 people, or 4 per cent, are immigrants. Now, more than half came originally from outside the Nordic region.

Since the Second World War, the country has accepted successive waves of refugees from Eastern Europe, Latin America, the Middle East and Indochina. "This multi-cultural society represents a revolutionary change," Mr Palme declared.

It was perhaps too much to expect that the country could adapt to this revolution quickly and easily. With a weakening economy, declining resources, and a growing number of refugees seeking and being granted asylum, there have been disturbing signs of harsher attitude.

Local communities have become increasingly unwilling to accept responsibility for the resettlement of refugees, with which they have little experience since the majority of immigrants have been concentrated in the larger cities so far. Complaints of discrimination at the workplace, in restaurants and in seeking housing are growing.

As a further indication of hardening attitudes, others point to the election for the regional council of the small *ultra-Rightist Skane Party*. Its platform includes a strong anti-immigrant plank, which prompted Mr Pierre Schori, the State Secretary, to openly accuse it recently of "racist policies."

"There are tendencies towards xenophobia," the immigration Minister, Ms Anita Gradin, admitted frankly. With the recent sharp rise in the numbers seeking asylum, "many people feel that we are being flooded."

Nor are the authorities blameless. Amid growing numbers of asylum seekers, tougher official handling *of* refugee cases has drawn sharp criticism, not least from the United Nations High Commissioner for Refugees.

The total of 14,500 who sought asylum in Sweden in 1985 was the largest number in the post-war period, putting a severe strain on the country's liberal tradition.

The government has been compelled to respond. In mid-March, it tabled a new immigration policy Bill. It proposes, among other things, a law against racial discrimination and sharp penalities including jail terms for offenders.

The Bill also establishes an immigrant rights ombudsman, doubles state aid to immigrant groups, and attempts in general to address some of the problems caused by large-scale immigration.

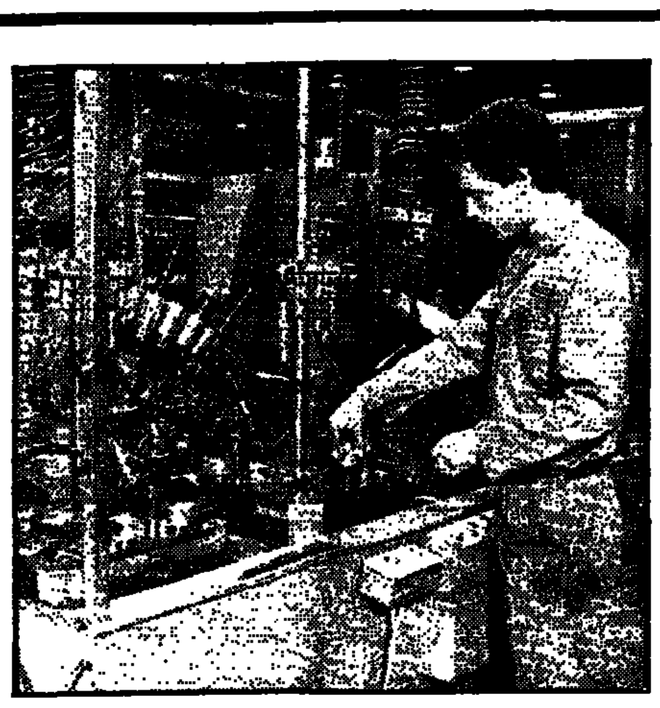
While attitudes have hardened considerably, what is perhaps most surprising, given the circumstances, is that the negative reaction has not been stronger, as for example in neighbouring Denmark.

However, immigration authorities expect as many as 13,000 new refugees to apply for asylum this year, and government may soon find itself facing an irresistible pressure to *abandon its historically liberal* policy, follow the path of Denmark and sharply tighten the influx.

Sweden 6

Engineering

Slower growth and long wait for an upturn



Multi-drill machine at Atlas Copco. Engineering is a key part of Sweden's industrial activity.

SLOWER GROWTH in productivity this year, wage settlements almost double those of rival producers, and a weakening world business cycle are the less-than-cheering facts facing Sweden's vital engineering industry.

Described as the heart of Swedish industry, the engineering sector (excluding shipping) did well in 1983 and 1984. Last year productivity rose by a respectable 6 per cent, to total SKr 230bn. Good though this was, it was disappointing for an industry which enjoyed a 10 per cent increase the previous year.

Growth this year will be no more than 4 per cent for the industry as a whole, says Mr Anders Rune, chief economist of the Engineering Employers' Association. He believes that 1987 could be "zero year" with no change in investment or production, and possibly a decline in employment.

"The bottom will come in 1988, but that will be at a much better point than earlier troughs," he forecasts.

With the phase of increased industrial investment in the US now over, he says, demand for Swedish products there will lessen. Elsewhere, the lower oil price, which he regards as welcome but temporary, will lead to a rise in private consumption.

"But this will be less significant for our industry because we mainly produce investment goods," says Mr Rune, who is looking to 1990 for the next upturn of the business cycle.

But the picture is far from total gloom and doom. Compared to the overall industrial performance of the Swedish economy last year, when production grew by only just over 2 per cent, engineering did well. As it accounts for 40 per cent of industrial output and close to 50 per cent of industrial exports, continued growth, even at a slower rate, remains crucial to the nation's well-being.

While it is small by international standards, accounting for barely 3 per cent of world trade in engineering products, the key role the industry plays in Sweden can be seen from the fact that it accounts for five of the country's ten largest industrial companies. Another three of the top ten are conglomerates with major engineering subsidiaries.

It employs 380,000 people, roughly 10 per cent of the total labour force in workplaces ranging from the giant to the tiny. More than half of the 4,000 engineering factories have fewer than 20 employees.

Exports accounted for 54 per cent of production last year, with the volume up by 6 per cent over 1984. The total value of foreign sales rose by 11.7 per cent, to total SKr 123bn. In 1984 the growth in the volume of exports was 2 per cent, while the increase in value was 19 per cent.

Western Europe is the largest market for all Sweden's exports. This holds true for engineering, which sold 36 per cent of its output there. The Nordic market accounted for another 20 per cent, with the US increasing its share from 12 per cent in 1982 to 19 per cent in 1985.

The Swedish Engineering Employers' Association (SEEA) predicts a solid increase in exports to Western Europe, especially West Germany, in the coming six months. However, SEEA officials warn members that West Germany is Sweden's largest competitor, especially in vehicles, and that its productivity is expected to rise more than Sweden's while its wages increase by only half the Swedish rate.

Swedish engineering's long-standing international success is based on some key inventions and innovative management: SKF became the world's largest manufacturer of roller bearings thanks to the invention of the self-aligning ball bearing. Alfa-Laval made its name with the cream separator, LM Ericsson with the hand telephone set and later digital telecommunication systems, and Electrolux with the absorption refrigerator (no moving parts).

Management capable of adapting to change and the invention of new production techniques have helped Volvo, the car, bus and lorry maker, to achieve fame and prosperity, while ASEA has become Europe's largest manufacturer of robots and a powerful competitor in the world market for power generation and transmission equipment, industrial process control and electronics.

Not all the traditional industries have fared well, however. Sweden once had a 10 per cent share of the world shipbuilding market and was the world's third largest in terms of tonnage built. The Government's decision in February to close Kockums, the last of the big state-owned yards, means that the merchant shipbuilding industry is now dead.

This marked the end of a nine-year struggle by the Government to keep the industry afloat and turn a profit through a restructuring programme. The rapid reduction of capacity cost the state SKr 35bn in the eventually unavailing attempt to make a slimmed-down industry more competitive.

But even as the shipbuilders have been moving out of the picture, the car makers have been moving in. Saab-Scania announced that it would build a car plant in Malmo to take up the labour slack caused there by the Kockums closure. A year ago Volvo agreed to set up a plant at Gothenburg when the Government announced the closure of the Uddevalla shipbuilding yard there.

The vehicle engineering industry has been the success story of recent years—especially the soundly built Volvo cars which have done so well in the US and the UK. Volvo trucks and those of Saab-Scania have also sold well.

Transport is the second highest employer in the engineering industry, with 97,000 workers. The weaker dollar is expected to shave Volvo's previously handsome margins in the important US market for the immediate future, however.

The electrical sector, which had been doing well until the beginning of 1985, has suffered from a steep decline in demand, but it is still regarded as a growth area.

But the same is not being said by SEEA officials about the machinery and metal-working sectors. Demand has weakened and the short-terms forecasts are far from optimistic, especially given the labour unrest which is besetting industry in general and metals in particular.

David Lennon

Industry

Export orders up 10 per cent

Manufacture of carton-filling machines at Tetra Pak, Lund

"SWEDISH UNIONS have a very open attitude to rationalisation and structural changes," says Mr Stig Malm, leader of LO, the country's powerful blue collar workers trade union confederation. "Even at 30 per cent unemployment in the 1930s we took the position that we should be in favour of new technologies."

Sweden is among the countries that have come furthest along the path of rationalising and restructuring old industries. It tried the expensive route of trying to keep ailing industries alive with heavy state subsidies during the 1970s, but with the return of the Social Democrats to power in 1982 it has embarked on a more offensive policy.

The dramatic 16 per cent devaluation pushed through in October 1982 restored industry profitability and since then industrial policy has shifted away significantly from subsidisation towards a more general approach to creating favourable conditions for long-term growth.

Over the last three years Swedish industry has staged a strong recovery in terms of production, profitability and investment. This year could prove to be another year of record profits, as the economy performs more strongly than originally expected and Swedish gains a fresh impetus from exports to European markets.

While the fall in the value of the US dollar has hit some Swedish companies—the US after all took over from West Germany last year as Sweden's single biggest export market—exporters have been well compensated by the corresponding fall in the value of the Swedish krona against the D-mark and other European currencies. Given the way the Swedish currency basket works, the weakening of a major component such as the US dollar automatically leads to the strengthening of other currencies.

In March industrial production rose by 2.7 per cent from February and was 2.8 per cent higher than a year earlier. Output virtually reached the record level recorded in August last year. Production in the first quarter was 2.1 per cent higher than in the preceding quarter with the main impulses to growth coming from the engineering, paper and board, and chemicals sectors.

Activity in the engineering sector—excluding shipbuilding—is at a very high level, and since it reached the bottom of the recession in the fourth quarter of 1982 production has risen by 30 per cent. Output in the first quarter of 1986 was 4 per cent higher than in the previous three months and was the highest level ever recorded.

In the paper and board sector output in March rose by 2 per cent from February and was fully 6 per cent higher than a year earlier. The strong growth of 1984 weakened last year, but in the first quarter of 1986 production rose by 4 per cent from the last three months of 1985 and established a new record level for output in a single quarter.

New orders to industry also showed a further improvement in the first quarter and were some 4 per cent higher than a year earlier. Export orders showed a jump of fully 10 per cent, while orders from the home market were down by 2 per cent. Industry's production plans for the second half of 1986 have been expansive, and most expect the positive trend to continue through the second half of the year.

Industrial investments jumped by 16 per cent last year to reach the highest level since 1976, but they were some way below the peak year of 1975. Opinions are still divided on what level investments will reach in 1986, but according to studies made by the Central Statistical Office investments should at least match the 1985 level.

Excluding the pulp and paper industry, which had very high investment expenditure in 1985 the rest of industry could increase the volume of spending by some 5 per cent.

While the performance of Swedish industry during the second half of the 1970s and the beginning of the 1980s was rather poor—production in 1982 was lower than eight years earlier — developments were under way which have helped to transform the country's industrial structure.

There was a considerable reduction in activity in a number of basic and traditional sectors such as iron and steel, shipbuilding and textiles with the level of employment in these sectors halving in 10 years. The restructuring was accompanied by massive government aid to soften the blow and limit the social costs of large sectoral and regional unemployment.

At the same time there was a relatively sustained expansion of other engineering sectors such as transportation, cars, electrical and non-electrical machinery and in particular information technology-based industries.

The process of industrial restructuring has again been graphically illustrated this year in the contrasting fortunes of the shipbuilding and car industries.

Earlier this year the Government decided to close the country's last merchant shipbuilding yard, Kockums, in the south of Sweden. The blow was softened by the simultaneous announcement of plans by Saab-Scania to build a new car plant on the site of the doomed shipyard. The Government had been able to pull the same rabbit out of the hat little more than a year earlier when Volvo announced that it would build a new car plant at Uddevalla, another merchant shipbuilding yard, which has closed this year.

The closure of the shipyards marks the end of an era for Sweden, which little more than a decade ago was the world's second largest merchant shipbuilding country after Japan.

According to Mr Thage Peterson, the Swedish Industry Minister, the state has committed more than SKr 35bn (£3.2bn) in state aid to the shipbuilding industry in the last 10 years, but there was still no prospect of building merchant ships on a commercial basis before well into the 1990s at the earliest.

The Government estimated that continued production at Kockums of merchant vessels would need aid of around SKr 50m a year for the foreseeable future.

"Resources should be put into sectors with better prospects, not into an industry which has no customers and orders," says Mr Peterson.

Few other shipbuilding nations have reduced so much capacity so quickly, but even Kockums, which has ranked among the most efficient shipyards in the world has found it impossible to remain profitable. The whole restructuring exercise in Sweden offers some sobering lessons to decision makers in other European government ministries and shipyards, where subsidies are still the order of the day.

Kevin Done

An appetite for acquisitions

Electrolux's latest big takeover has made it the world's biggest maker of household appliances, Kevin Done reports.

ELECTROLUX'S voracious appetite for acquisitions is apparently never satisfied. In the space of a couple of decades it has bought more than 100 companies in 40 countries, but even by these standards it has surpassed itself in the last 18 months.

At the end of 1984 it bought up Zanussi, the Italian white goods manufacturer, establishing itself in the process as the unchallenged leader in the European household appliances market.

The job of rescuing the battered Zanussi group from the brink of bankruptcy and shaking it back into profit appeared to challenge even Electrolux's undoubted restructuring skills, but with barely a pause for breath it returned to the takeover trail this spring with its most ambitious acquisition to date, the $745m purchase of White Consolidated Industries, the third largest white goods manufacturer in the US.

The acquisition of White Consolidated has made Electrolux the biggest manufacturer of household appliances in the world.

At the end of last year the group had a turnover of SKr 39.7bn and a workforce of some 93,600. During the second half of 1986 it is planning to consolidate Zanussi, increasing its stake from the original 49 per cent to more than 90 per cent. As a result of this move together with the takeover of White Consolidated, Electrolux group sales will catapult to about SKr 60bn while the group workforce will grow to 125,000.

It could take some time before the growth in profits begins to keep pace. "We cannot promise any immediate, marked improvement in earnings," says Mr Anders Scharp, group chief executive. "The costs always come before the income is generated." Electrolux has already managed to bring the beleaguered Zanussi back into profit, however.

A tough series of cost-cutting measures and a far-reaching restructuring programme mean that Zanussi began to operate profitably on a monthly basis from last September, bringing to an end years of heavy losses. The 1984 loss of SKr 723m (after interest and tax) was cut to a deficit of SKr 148m in 1985. In the first quarter of 1986 Zanussi showed a first modest profit of SKr 22m (after financial items) compared with the loss of SKr 81m in the same period of 1985.

Electrolux's recipe for Zanussi has included bringing in a new management as well as a cut in the workforce by some 3,000 during the year. At the same time it has increased product exchanges between Zanussi and the rest of the Electrolux group, it has coordinated the administration and distribution of the sales companies and begun major investments to make the Zanussi plants more highly-automated and flexible in order to ensure low production costs.

In the US, Electrolux also faces a major challenge if it is to bring White up to the levels of profitability achieved by its leading rivals General Electric and Whirlpool. The management of the Swedish giant believed that it was imperative for it to enhance its presence in the US market, however, and White offered perhaps the best opportunity available.

Mr Scharp says: "There are three principal markets for consumer durables in the world—Western Europe, the US and Japan. To ensure long-run survival it is necessary for a company to be well-established in more than one of these regions.

"It is essential to be large enough to make possible the necessary investments in research and development, in highly-automated production systems, which also allow for a great degree of flexibility, and in internationally-recognised brand names."

In the US Electrolux had hitherto pursued a niche strategy with Tappan, its US subsidiary, concentrating on cooking ranges, microwave ovens and kitchen cabinets. Changes in the strategy of its major competitors had begun to make this approach untenable in the long run, however, as both General Electric and Whirlpool moved to broaden their market base.

The big US groups had started to invest heavily in new products and new production equipment in order to expand into other sectors of the household appliance market.

Electrolux found increasing difficulties in its attempts to offer a complete programme from its more limited US base, while at the same time General Electric and Whirlpool had become more active in its own product sectors.

It faced a stark choice. "Our policy alternatives were either to expand or to withdraw." Mr Scharp told shareholders at the company's recent annual meeting "We find it hard to see ourselves withdrawing from the largest single market in the world."

The response was impressive even by Electrolux's previous standards. The $745m acquisition of White is the biggest foreign takeover ever made by a Swedish company.

White is the third largest household appliances manufacturer in the US, with annual sales of just under $2bn, but it has only mediocre profitability with pre-tax earnings last year of just $51m.

It was already in the process of being restructured before Electrolux appeared on the scene, however, and its operations have been concentrated increasingly towards household appliances. A couple of years ago it dropped about 10 different loss-making lines of business taking a $129m write-down in the process, but it is still activities outside white goods that pose the biggest problem. Its machine tools business made a $30m loss last year.

According to Anders Scharp, in household appliances White Consolidated and Electrolux's existing US subsidiary Tappan complement each other well, however. As a result of the takeover the new group will emerge as US market leader in ranges and air-conditioners and will have a strong position in refrigerators and freezers. Its main weakness will be in dishwashers and washing machines.

Through the takeover Electrolux has gained four well-established brand names, Kelvinator, Frigidaire, White-Westinghouse and Gibson.

The programme to integrate White into the Electrolux group is already started. Mr Scharp says, "A number of task forces have already drawn up programmes for action in product development, production, distribution, and administration. The positioning of the brand names and marketing co-ordination can be improved and we will immediately transfer bought-in production to our own production facilities."

Electrolux has financed many of its previous acquisitions through loans and is used to operating with high leverage, but the sheer size of the White Consolidated acquisition—and in Electrolux terms the heavy price tag—has forced it to approach the equity market this time for a new injection of funds.

Its international equity placement is the most ambitious ever attempted by a Scandinavian company, with an issue of 8m "B" free shares aimed at raising about SKr 2bn ($300m).

The issue, one of the largest Euro-equity issues ever made, is being carried out on a global basis. It is directed to international investors outside Sweden and is being arranged on a regional basis with a lead manager in each of the nine different capital markets to be approached: in the US, the UK, West Germany, France, Switzerland, Italy, the Far East, the Netherlands and Canada.

Below: nursery for young trees and (above) planting trees in the forest. Restructuring of the various companies is intended to help them compete better in the world market

Forest Products

Demand picks up in principal markets

SWEDEN'S PULP and paper manufacturers had expected a recession in 1986, but instead demand has been good in the principal markets in Europe thanks to the fall in oil prices, the decline of the US dollar, and the lowering of inflation and interest rates, according to Mr Bo Wergens, director general of the Swedish pulp and paper association.

A reasonably satisfactory performance this year will be welcome after the more difficult business conditions of 1985 when pulp prices fell, timber was in the middle of a recession and paper products fought a hard and sometimes losing battle to maintain or increase prices. Exports remained at about the 1984 level of SKr 47bn.

The timber, pulp and paper industry has always been a very important foreign currency earner for Sweden, accounting for about 20 per cent of total exports, second only to the engineering industry. Sweden is the world's third largest exporter of pulp and paper after Canada and the US.

One of the oldest industries in the country, the forest sector has undergone a major structural reorganisation during the past 25 years with the closure of mills and phasing out of obsolete machines.

Currently the restructuring process is being marked by acquisitions and mergers as larger units are put together so that they can better compete on the world market.

In January Svenska Cellulosa (SCA), one of the leading forest products groups, completed its take over of Edet, a maker of tissue and hygiene products, in a deal worth SKr 1.85m. Two months earlier it paid SKr 415m for majority control of Svano, a forestry and hydro-power company in northern Sweden. At the same time it increased its holding in Obbola Linerboard to 75 per cent.

At the end of last year Holmens Bruk, Europe's biggest newsprint producer, took over Fiskeby, a smaller forest products company, for about SKr 300m, enabling it to diversify into other product areas including hygiene tissue, sack paper, fluting and wrapping paper.

Stora, Europe's largest forest products group and one of the world's oldest corporations which celebrates its 700th anniversary in 1988, has been busy since 1984 integrating the two different "corporate cultures" after it took over Billerud, one of its main domestic rivals.

"A quarter of a century ago there were 127 pulp mills with a combined production capacity of 5.6m tonnes. The number of plants has been reduced to 56, while capacity has soared to over 10m tonnes.

The same rationalisation process has been going on in the paper industry. The number of mills declined from 76 to 56 during the past 25 years, but production capacity has tripled to 7.7m tonnes. The structural changes continued in 1985, though the pace of increase in paper production slowed down. Swedish capacity for paper and board increased by 2.5 per cent during the year, compared to the high 8 per cent increase in 1984 when demand was extremely high.

Paper and board account for more than 60 per cent of the turnover of the pulp and paper industry, and 75 per cent of production is exported. This growth was largely a matter of small increments in coated printing paper, kraft liner and packaging board. Three new paper machines were commissioned: two for the production of newsprint and one for uncoated wood-free printing paper. Capital investment in 1985 was about SKr 6bn.

The most significant improvements in production were recorded by the manufacturers of newsprint, wood-free printing paper and certain grades of board. There was a slight decrease in the production of kraft paper.

The concern about world capacity in certain sectors and the pursuit of profitability means that no new paper machines are due to be put into service this year, but modernisation and rationalisation of production will continue, Mr Wergens says.

More than three quarters of the total deliveries of paper and board, some 5.3m tonnes, were exported last year, a 1.5 per cent increase over 1984. Over 70 per cent of these sales were to the EEC with Britain and West Germany remaining the most important customers, accounting for 20 per cent and 19 per cent respectively. Total exports earned SKr 23bn last year.

There was a decrease in deliveries to the US which still remains an important market mainly for newsprint and printing papers. An increase in exports to other markets such as Australia, Japan and China.

Exports of newsprint, the principal grade in terms of quantity, rose by 9 per cent, or just over 100,000 tonnes. Overseas sales of board grew by 5 per cent while exports of kraft paper declined slightly.

The production of chemical market pulp fell by 10 per cent last year, while continued good demand for mechanical market pulp remained high, enabling manufacturers to produce at nearly the same level as in 1984. Pulp accounts for a third of the turnover of the paper and pulp industry, with 90 per cent of production exported.

In addition to world overcapacity and the low cost of competing short-fibre pulp grades Swedish industry lost its cost advantage over its North American competitors due to the 20 to 25 per cent decline of the US dollar in relation to the krone.

Total exports of chemical pulp fell by 7 per cent. There was a drop of 5 per cent in sales to the main market in Western Europe, where Sweden still retains its position as the leading supplier.

The good news came from the mechanical market pulp sector where product development and strong marketing resulted in a breakthrough. Deliveries totalled 473,000 tonnes, an increase of 7 per cent.

More than half the shipments were to Western Europe. Earnings from all pulp sales totalled SKr 10bn in 1985.

The world-wide profitability problems due to over-production of chemical pulp is expected to result in lower output this year. This is clearly reflected in the published plans of Swedish producers, Mr Wergens reports.

The sawmill sector underwent the same rationalisation process as pulp and paper. The number of mills dropped from 6,500 in 1960 to 2,500 today. But capacity was increased fourfold to 4,800m cubic metres. The giant Stora group is planning a far-reaching restructuring of its sawn timber operations, planning to close three of its seven mills this year while increasing productivity at the remaining mills by 20 per cent.

Export earnings from sawn wood totalled SKr 9bn last year. The pulp and paper industry requires about 65m to 66m cubic metres a year, but the felling in recent years has only been about 60m cubic metres. This shortfall is made up by imports, and is blamed on high taxation which discourages private owners — who own half of the country's forests — from cutting more. New tax concessions proposed by the Government are expected to have an impact next year.

Eleven per cent of the fibre consumption of the paper industry last year was waste paper. Demand for waste remained keen with total consumption reaching a record level of 756,000 tonnes, 3 per cent up on 1984.

Intensified collection of waste paper from private households, an activity engaged in by virtually all Swedish communities, resulted in an increase of 25,000 tonnes. Newspaper collected from households represented almost 50 per cent of the newspapers recycled. Some 135,000 tonnes of the total collected was exported in 1985.

David Lennon

Pulp and paper industry 1970-1985

	1970	1980	1985
PULP			
Number of units	98	72	56
Total capacity (m tonnes)	8.9	10.5	9.9
Capacity per unit (000 tonnes)	90	146	174
Number of employees	16,500	13,400	10,000
PAPER AND BOARD			
Number of units	68	62	56
Total capacity (m tonnes)	4.7	7.2	7.6
Capacity per unit	70	116	135
Number of employees	28,100	33,400	31,000

Source: Swedish Pulp and Paper Association.

Fermenta: fall of a spectacular empire

The problems of Fermenta, the biotechnology group, have rocked Swedish business, says Kevin Done.

THE SPECTACULAR fall from grace of Fermenta, the Swedish biotechnology and antibiotics group, and Mr Refaat El-Sayed, its Egyptian-born founder and majority shareholder, has seen few parallels in Swedish business.

Fermenta has come within a hair's breadth of being expelled from the Swedish stock market — a measure the authorities have resorted to only once before in recent history — and the threat of expulsion still hangs over it. "Fermenta has come as close to expulsion as a company can come," says Mr Bengt Ryden, head of the Stockholm Stock Exchange.

It has received the heaviest fine the bourse authorities can impose and has had to take scathing criticism for the way it has given investors selective information and created a misleading picture of its activities.

This is the same Fermenta, which as recently as last January was able to announce plans for a SKr 4bn co-operation deal with Volvo, which stunned financial markets by its audacity.

The fact that Volvo, flagship of the Swedish engineering industry, and its chairman Mr Pehr Gyllenhammar, were willing to set their imprimatur on Fermenta and Mr El-Sayed, appeared to crown a four-year period in which Fermenta had shown one of the most remarkable growth rates in Europe.

Mr El-Sayed took over Fermenta at the end of 1981 when it was a struggling producer of basic penicillin. From a turnover in his first year of SKr 95m he transformed the company's fortunes to the point where it produced sales last year of SKr 1.639bn. In the same period profits (after financial items) soared from SKr 3m in 1982 to SKr 320m last year.

During the heady days of January, when the planned deal with Volvo helped take the Fermenta share price to new heights, the company was already talking of reaching a turnover of SKr 9bn once the transactions were completed.

In barely 18 months since the company was launched on the Swedish stock market in the summer of 1984 Fermenta's share price had soared by about 1,200 per cent, in the process turning Mr El-Sayed, still the majority shareholder, into one of the richest men in the country.

He caught the public imagination as few before him. Swedish television made him "man of the year" even before the deal with Volvo was announced. He had shown that even in Socialist Sweden a person could come from nowhere and turn over the entrenched business establishment, creating in the process a new company that could challenge the international giants.

Under the Volvo deal Fermenta would have been given the lead role in an ambitious restructuring of the Swedish biotechnology and pharmaceuticals sector and Volvo would have taken a substantial minority equity stake. Fermenta would have taken over the medium-sized Leo and Ferrosan pharmaceuticals companies and acquired the voting majority in Pharmacia, Sweden's second largest pharmaceuticals concern.

For some time the sceptics—many of them foreign investors—had wondered just how Fermenta and Refaat El-Sayed had managed to make such spectacular progress. They expected the company to plunge off the road, yet time and again, the 40-year-old entrepreneur confounded his critics with an apparently endless string of acquisitions which allowed Fermenta to grow in quantum leaps.

When the fall did come it was triggered off from a totally unexpected quarter. Mr Bjorn Gillberg, a rather eccentric environmentalist campaigner, who had been pursuing Fermenta for its failure to comply with anti-pollution regulations at its Swedish plant, published an allegation that Mr El-Sayed's claims to advanced academic qualifications in microbiology—including a doctorate from the University of California—were false.

Mr El-Sayed tried to ride out the storm and maintained that he could prove that the doctrate was authentic. Members of his board rallied to his support.

Such a reaction soon proved to be misplaced and the facade quickly cracked as university authorities in the US and Sweden confirmed that they had no record of Mr El-Sayed's qualifications.

He issued a statement of apology in which he claimed that "meaningless stupidities" from his youth had caught up with him. His claims to a doctorate were "white lies from the years when I had to chase my daily bread as a consultant."

Fermenta's share price plunged in swift reaction to the dramatic disclosures and to make matters worse Volvo now began to distance itself from the affair. Only five weeks before, Mr Gyllenhammar had claimed that the deal with Volvo would "legitimise" Fermenta in a new way and that Volvo would "take responsibility if anything goes wrong."

The deal had still not been completed, however, and Volvo began to describe it as "an agreement in principle," rather than the "binding agreement" claimed by Fermenta.

As the share price continued to fall Fermenta tried to stem the sudden sense of crisis with the announcement that Mr El-Sayed was to step down as chief executive and would instead become deputy chairman. Mr Ove Sundberg, already a member of the Fermenta board and previously managing director KemaNobel, replaced him as chief executive.

The changes hardly helped. Fermenta's share price fluctuated wildly and trading in its shares dominated the Swedish stock market as half the company's market capitalisation was wiped out in less than a week.

To restore a semblance of orderliness, the Stock Exchange authorities suspended Fermenta's shares until further notice and announced that it was to start an investigation.

During the unprecedented nine-day trading halt Volvo and Fermenta announced that they were calling off their co-operation deal. "There's no doubt that the market has changed its opinion of Fermenta," said Mr Gyllenhammar. "In a sense it's a different company."

When trading was resumed in Fermenta shares the price for the company's B-free shares plunged to a new low of around SKr 131 compared with a peak of SKr 325 before the crisis.

The results of the investigation by the Stock Exchange authorities released at the end of May came as a new blow—especially to Redaat El-Sayed himself.

The Stock Exchange delivered a stinging critique of Mr El-Sayed's unconventional management style and the way in which on several occasions he had issued selective financial information about the company's earnings prospects in clear contravention of bourse regulations.

The authorities said that Fermenta's preliminary results for 1985 had been incomplete and unreliable. The company had "inexcusably" failed to inform the Stock Exchange about a planned $30m directed share issue for its US subsidiary.

Incomplete information about a number of planned acquisitions and co-operation deals had given a "misleading picture" of the company's operations, the Stock Exchange authorities added.

What remains after all the turmoil is the fact that Mr El-Sayed had operated with a clear understanding of some of the possibilities of the international biotechnology sector and created a biotech and chemicals group which this year could have a turnover of around SKr 3bn and profits (after financial items and before minority interests) of some SKr 700m. That compares with sales of SKr 95m and profits of just SKr 3m only five years ago.

The authorities' patience has finally snapped. Fermenta must find a substantial new shareholder or again run the risk in a few months time of being expelled from the Stock Exchange, which would clearly jeopardise hopes of further expansion.

Kevin Done

Sergels Torg in the business centre of Stockholm

Financial Markets

Banks thrive as stocks soar

SWEDISH banks have rarely had it so good. Profits, helped by falling interest rates and surging commission earnings from a booming stock market, soared in the first four months of this year and most institutions seem confident that the good news will continue.

At the same time the banks are working in a rapidly changing environment with new competitive challenges and opportunities as the authorities force the pace of liberalisation and deregulation.

In its quarterly review, Skandinaviska Enskilda Banken, the largest commercial bank, declares warmly that "it would be no exaggeration to say that 1986 will be a remarkable year for the Swedish credit market. Conditions have changed drastically."

Bankers had grown accustomed to describing their industry as the most heavily regulated sector of the Swedish economy, but a series of sweeping reforms have radically altered that picture.

Changes in monetary policy mean that the banks' ability to compete with finance companies, for instance, has been transformed. At the same time the authorities' belated decision to allow foreign banks to operate in Sweden means that the number of commercial banks will double this year with the arrival of 12 new commercial banks. They are led by five from France, followed by three from Finland (one in a joint venture with a French bank), two each from Norway and US, and one from the Netherlands.

In the two most significant steps taken during the past 12 months the banks have been freed of regulations affecting both the volume of lending and on the interest rates they can charge.

At the same time the Riksbank (the central bank), has moved decisively to the use of open market operations for the conduct of monetary policy, having encouraged the rapid growth of a well-functioning money market during the first half of the 1980s.

The one area where the authorities were expected to retain their traditional attachment to regulations was foreign exchange controls, where a panoply of restrictions have been in force since 1945. A Government commission of inquiry established in 1977 finally produced a voluminous report late last year, with a narrow majority in favour of what amounted to the status quo.

To the surprise of the financial markets, however, the Riksbank came out with a set of recommendations in April calling for gradual reforms of foreign exchange controls too.

The Social Democratic Government has come in for heavy criticism from its allies in the trade union movement for its plans to relax the controls, but the Finance Ministry clearly believes that it could hardly find a more favourable time than the present for starting a gradual deregulation.

The Finance Ministry said of the revised Budget presented to Parliament at the end of April: "In recent years the current account of the balance of payments has improved strongly and the Budget deficit has been substantially reduced. The competitiveness of Swedish industry has been good for the last few years and the inflation rate is falling significantly.

"The conditions have been created for a considerable liberalisation of foreign exchange controls."

The Riksbank says that the first priority should be to abolish the present requirement that forces Swedish companies to finance direct investments abroad through foreign currency loans over at least five years Later, the restrictions on Swedish residents purchasing foreign shares and foreign real estate should also be removed.

Presenting the Budget, Minister said that the step to allow Swedes to buy shares abroad should be taken before the end of the year.

The authorities are unwilling to consider the wholesale abolition of foreign exchange regulations advocated by the non-socialist opposition parties, however. Under the step-by-step approach proposed by the Biksbank and the Government there is as yet no room for any lifting of the ban on inward and outward investments in bonds and short-term securities.

The existing ban covers cross-border bank deposits and trading of bonds and short-terms securities by Swedes in foreign countries and purchases of Swedish krona-denominated securities by foreigners.

The Riksbank maintains that it is above all such short-term placements in bonds, money market securities and bank deposits that "traditionally serve as channels for strong and destabilising capital flows," which it sees as a threat to its remaining autonomy in monetary policy-making.

It estimates that a complete lifting of the control on companies' direct investments abroad would lead to an outflow of up to SKr 6bn a year. Strong capital inflows during the past 12 months have given the Riksbank some room for manoeuvre, however, and in the first five months of 1986 alone Sweden enjoyed an inflow of capital totalling some SKr 15bn.

The inflow has been made possible by the relative strength of the Swedish krona and by interest rates which are still high by international standards.

To elements within the trade union movement, however, any steps to liberalise exchange controls, which result in it being easier for companies to move money abroad, are unacceptable.

According to Mr Stig Malm, head of LO, the blue-collar workers' trades union confederation, it is the "extraordinarily bourgeois central bank" and its seeking after a complete liberalisation of the credit market that lies behind moves to relax foreign exchange controls.

"The problem of Swedish companies not investing enough at home is not to be solved by making it easier for them to invest abroad. This isn't just unreasonable, it is unacceptable."

Whatever the opposition to an easing of foreign exchange controls, it remains true that successive non-Socialist and Socialist governments have orchestrated a revolution in the Swedish financial markets during the 1980s.

According to Mr Bengt Dennis, Governor of the Riksbank, the liberalisation process has not been driven forward "by any specific '—ism.'" It has not been ideologically based. It has not been steered by the latest economic fashion.

"Its origins are to be found mainly in the changed circumstances of the Swedish economy with the emergencies of large financial imbalances in the shape of persistent current account and budget deficits, growing stocks of debt and liquidity in the cenomy, and changed institutional relationships in the financial markets.

"There was no master plan. Policy changes were led by necessity and by the problems we faced."

Starting in 1980 with bank certificates of deposit and then gathering pace since 1982 with the introduction of market rate Treasury bills, the money market has developed to the point where it has an annual turnover of more than SKr 1,500bn and also encompases commercial papers with more than 80 companies with commercial paper programmes.

The Swedish bond maret has not developed nearly as quickly. There is now a functioning secondary market, although it is dominated by inter-bank transactions and the number of participants is much smaller than on the money market. But according to Mr Dennis: "The Swedish bond market has a big development potential. With lower interest rates it will blossom and compete well with the money market."

The battery of liberalisation measures coupled with the economic recovery of the past three years has radically improved the fortunes and earnings position of the Swedish banks, which have managed to break the 1960s trend of shrinking profitability and weakening balance sheets.

Most of the banks except Götabanken had lower levels of profitability last year than in the previous record year of 1983, mainly because of the higher interest rates established by the Riksbank after the May 1985 currency crisis.

Interest rates have eased considerably in recent months, however. The Riksbank cut the discount rate three times in the first four months of the year, bringing it down finally to 8 per cent compared with 11.5 per cent in May last year. The interest rate on three-month Treasury bills, which soared to more than 16 per cent in May 1985, had fallen to less than 10 per cent by May this year.

The gap between Swedish and international interest rates has also been narrowing, with a current difference of only some three percentage points against Eurodollar rates, compared with a gap of eight percentage points a year ago.

Kevin Done

Stock Market

Scrutiny of practices

TURBULENCE is the keynote of current activities in and around the Stockholm stock exchange which has grown in the past five years from "a duck-pondish backyard," as Mr Bengt Tyden, president of the exchange, described it recently, to become the ninth largest market in the world.

The boom of the 1980s—when the exchange was the world's fastest-growing, trading volume quadrupled and brokerage houses reaped record profits—has brought the exchange not just a new standing in the world, but more recently a piercing scrutiny of its practices.

There has been much heated debate in recent months over the ethics of the market and the adequacy of existing self-regulatory mechanisms. The Government has set up a number of committees to examine such disputed practices as "directed" share placement, the issuance of shares with differential voting rights, and cross holdings among Swedish companies.

This examination of operations is focusing attention on the question of stricter self-regulation versus additional government legislation. The exchange opposes further state interference, proposing instead that new restrictions be written into a new stock exchange registration or listing contract.

However, while he says no government decision has yet been made, Mr Bengt-Ake Nilsson, head of the Finance Ministry's banking division which is also responsible for the stock market, says "recent events do indicate a need for more stringent legislation in some areas to ensure the principle of equal treatment for all shareholders."

Foremost among the committees is that set up by the premier at the end of December to examine to what extent companies are using share placements. In particular it is studying the directed share issue in the pharmaceutical company Leo made by its parent company Sonessons, an engineering and pharmaceutical company which bought Leo in 1983.

The controversial Leo-directed issue was tightly restricted and not made available on the same terms to all Sonesson's shareholders. Sonesson board members were offered Leo shares at SKr 50.60 before a stock market introduction at SKr 75 a share. Following a public outcry last November, Mr Hans Eric Ovin, the Sonesson chairman, resigned.

The "Leo commission," as it is known, will report its findings and recommendations at the beginning of July. While it may well follow the Swedish tradition of compromise and consensus, it might similarly urge the Government to extend existing legislation to prohibit "directed" issues.

Another Government committee is due to report soon on the question of ordinary shares (common stock) with differential voting rights. At present it is possible in principle to issue shares of different categories with a voting ratio of 1 to 10.

Yet a third government committee is studying the question of who owns Swedish companies. One of the tasks of the committee is to examine and analyse cross-holdings in which companies hold large shares in each other. The practice has been described by one local commentator as "the machinations of power blocks."

Despite all the turbulence, the Stockholm stock market boomed again in the past nine months, following a 20 per cent fall in the previous five quarters from the peak reached in early 1984. The index increased 29 per cent since the beginning of 1986. Total trading volume in 1985 was SKr 83bn.

The announcement by the Government that it intends to double the turnover tax on share trading from 1 to 2 per cent has caused concern in some quarters that investors may react negatively. Mr Leif Vindervag, a director of Enskilda Fondkommission, the brokerage arm of S-E Banken, believes that the earlier boom was halted in 1984 because of the introduction at that time of the original 1 per cent turnover tax.

During recent years foreign investors increased their net investment in Sweden and now hold about 10 per cent of the total market value of the 170 companies listed on the exchange. Even more telling, foreign investors accounted for more than 50 per cent of the new equity raised over the past five years.

Net foreign investment in the first quarter of 1986 was SKr 2.5bn, compared with SKr 4.8bn for all of last year.

The peak year for foreign investment was 1983 when the total reached SKr 6.1bn. Mr Vindervag believes that foreign investment should continue because "basically all the elements are there for the share prices to rise."

However, there are problems worrying the foreign investors, according to Mr Peter Laing, an analyst at N. M. Rothschild Asset Management in London, who has long experience in the Swedish market. A key issue is the regulation restricting their purchases to non-voting "non-restricted" B shares, which ensures that they will always remain minority shareholders, he believes.

Other issues which cause apprehension, he said, were fears of a devaluation, wage inflation, the turnover tax, and a worry that the lifting of currency controls could lead to a flight of capital.

Steps should also be taken, Mr Laing said, to counter the negative image created by the evidence of insider trading and to calm the disquiet caused by acquisitions by power blocks which led to control on companies moving to new management without the shareholders being given an opportunity to have any say in the matter.

It is just these issues which the government-appointed committees are now addressing. The outcome of these deliberations could have a profound effect on the performance of the Stockholm market for years to come.

David Lennon

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 9 1986

Investors show continuing interest in floaters

NEW ISSUE managers focused their attention on equity-related and floating-rate note (FRN) issues last week, as these are still relatively popular with investors, writes Clare Pearson in London.

New fixed-rate bonds, on the other hand, were shunned by issuing houses in the face of the huge inventory of unplaced paper they still possess.

Investors' continuing interest in floating-rate note instruments was confirmed by their favourable reception of an unprecedented rash of floating-rate certificates of deposit (FRCDs) launched for Japanese banks, the latest on Friday being a $150m deal for Dai-Ichi Kangyo led by Morgan Stanley.

Investors were impressed by their large issue amounts, up to $200m, whereas previously a lack of liquidity has hindered FRCDs.

FRN prices paused after their rally of recent weeks, although they remained steady while prices of fixed-rate bonds shed up to 2½ points. Syndicate managers continued to report a lack of willing borrowers, but managed to launch, with varying degrees of success, five new deals in dollars.

Household Finance's $100m 10-year bond, which pays interest at 0.15 per cent over three-month London interbank offered rate (Libor), traded up to 99.92 bid, against a par issue price. Deals for S. G. Warburg and National Bank of Canada also traded comfortably within fees, although dealers thought that this reflected strong support from lead-managers. A $100m nine-year deal for Jyske, a Danish bank which is little known in the Euromarkets, fared less successfully.

Equity-related bonds dominated new issue activity in most sectors. Oversupplied investors, however, seem to be increasingly selective and prices no longer shoot to premiums.

Dollar bonds for Japanese companies, whose profits are heavily dependent on the foreign exchange performance of the yen, are out of favour. Thus a recent offering for Fuji Heavy Industries has fallen to a discount-to-issue price of nearly 10 points. A new $40m five-year deal for Hitachi has traded at 98 bid against a par issue price, despite Hitachi's prestigious name.

New equity-related deals in continental European currencies have fared better. C. Itoh, the Japanese trading company, borrowed Ecu 100m through only the second, and by far the larger Ecu equity warrants bond. This traded near its issue price, as did a DM 50m ($22.3m) equity linked deal for Suminoe Textile, in contrast to comparable dollar deals.

The appearance of only one straight fixed-rate Eurodollar issue, and the postponement of two others in continental European currencies, signalled that new issue managers were seeking a breathing space during which to lay off inventory.

Toyota Motor Credit was the sole fixed-rate borrower in dollars, with a $100m, 8 per cent, three-year bond. As with Ford Motor Credit's Swiss franc bond, this financing took advantage of investors' increasing interest in short maturities as they have become wary about the direction of interest rates. But the bond was priced to give a yield of only about 36 basis points over US Treasury bonds. It found buyers only when the margin had increased to about 85 basis points, and this was a loss-making level for underwriters.

Fixed-rate dollar bond prices ticked up slightly on Friday as New York bonds rose on the announcement of a rise in the May unemployment rate to 7.3 per cent. The market was still nervous, however, in view of the large quantities of paper on dealers' books.

In the D-Mark sector, Bayerische Vereinsbank postponed a DM 150m, 6¾ per cent, seven-year bond for Public Power Corporation of Greece because of poor market conditions. Only Eurofima ventured into the D-Mark fixed-rate market, with a DM 100m financing. This was despite the fact that DM 16.9bn worth of new issues have been planned for this month.

The D-Mark market drifted downwards as conflicting signals emerged from the US on the likelihood of interest-rate cuts in the near future. Dealers noted that nervousness about the fate of the Christian Democratic party in state elections in Lower Saxony on June 15 was also beginning to weigh on the market. In this environment, recent deals for Lufthansa and the Republic of Portugal were quoted at bid prices of 95¼ and 96¾ respectively, against issue prices of par and 100¼.

The French franc sector is also oppressed by domestic political uncertainties and recent poor external trade figures. This led the new issues calendar for June being curtailed to FFr 1.6bn ($224m), FFr 1bn down on May's total.

A mere three issues are scheduled, but on Thursday the first of these, a FFr 600m bond for Air France, was postponed. That surprised French bankers to the extent that, since it was to be a floating-rate bond, its launch would not affect the fixed-rate market. Indeed, the price of the only other floating-rate bond in the market, for Caisse Nationale des Telecommunications, remaind stable last week while other bonds drifted lower.

Lead-manager Crédit Commercial de France explained its removal as being intended to show a spirit of responsibility in the face of difficult conditions, and thus to maintain morale in this still young and fragile sector.

Swiss franc bonds traded thinly, although the market cheered up slightly towards the end of the week on a growing feeling that short-term interest rates may have stabilised. While the sector has been quiet for some time, there is expected to be an increase in new-issue activity once bankers have sorted out the implications of recent Swiss National Bank guidelines on changes in issuing techniques.

The Euroyen market is also likely to become active in the near future. From this week, foreign banks will be able to make issues. It is estimated that this could add another Y900bn ($5.3bn) to paper outstanding in the market, which is trading cautiously as a result.

UK commercial paper market faces qualms over legal aspects

SETTING UP a new financial market, for example in sterling commercial paper, is easy in theory but, as events have already shown, a little bit harder in practice, writes Peter Montagnon in London. One of the unexpected obstacles in the way of the development of sterling commercial paper so far has been the deep uncertainty in financial markets over a number of key legal aspects.

Thus several corporate treasurers have felt the need to hold back from using the new market because the amendments to the Companies Act lifting the requirement on UK issuers of securities to publish a prospectus will not be complete until the Financial Services Bill is enacted, at the earliest this autumn. Only after that, it seemed, would it be possible to gauge the true potential of the market, since many treasurers are also reluctant to take the alternative route of issuing paper through an offshore subsidiary.

Now it appears that the argument may not be quite so clear-cut after all. A number of companies and banks are looking at the possibility of issuing commercial paper directly in the UK before then. In part, that reflects frustration that the finer points of the law contradict the spirit of a decision by the authorities to permit a commercial-paper market in the first place. In a more important part, however, it rests on the difficulty of interpreting the law itself.

Some arguments hold that a direct issue without a prospectus is already perfectly legal, provided the offer of paper is made orally rather than in writing. Theoretically it is possible to structure a commercial paper issue in that way if careful attention is given in phrasing the information memorandum so as to distinguish it from an offer for sale.

Of course only top-rated companies could expect to sell their paper through oral offers alone, and it is precisely that type of company which tends to be most cautious about the risk to its corporate image should legal action ensue. That may limit the potential field, but the signs are that some companies are now gearing up to test the water.

Such a test seems to make all the more sense in that an alternative view argues that issues of commercial paper that have already taken place through an offshore vehicle may contravene the law in its strictest interpretation. Such sales are permissible if they are made to "professionals," the argument runs. But who are the professionals? By one standard, they are people whose business it is to buy and sell securities – and that might at present exclude investors who actually buy the paper to hold until maturity.

It would take a test of those arguments in the courts to ascertain whether they hold water. As far as the market is concerned, the important point is that the legal aspects of selling commercial paper have turned out to be much more complex than originally met the eye. For those who want to promote commercial paper, that is a pity. It is one factor holding back the still tentative growth in outstandings. It also means that the legal profession is likely to be one of the main beneficiaries of the meagre returns that most dealers are now expecting.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,083.1	215.8	849.3	1,360.7
Prev	3,660.9	175.5	1,805.1	263.4
Other	2,136.7	–	–	73.3
Prev	2,074.1	–	–	110.5
Secondary Market				
US$	16,914.4	1,136.1	12,522.2	4,990.7
Prev	19,572.7	1,047.8	11,082.4	2,211.6
Other	9,298.5	146.8	3,315.2	3,033.7
Prev	9,927.9	130.5	2,498.5	3,496.8
	Cedel	**Euroclear**		**Total**
US$	12,573.4	28,080.9		40,654.3
Prev	11,388.6	28,897.3		40,283.9
Other	8,791.4	9,181.8		17,943.2
Prev	8,861.3	9,357.2		18,228.5

Week to June 5 1986 — Source: AIBD

In the Eurocredit market attention meanwhile focuses on the $600m facility for Electricité de France announced 10 days ago. It is still too early to gauge how this deal is faring in syndication, although by common consent its success will be judged on whether an increase in the amount is achieved.

Czechoslovakia has surprised its bankers by launching a renegotiation of two outstanding loans while its new $100m National Westminster-led credit is still in the market. The margin on the loans, the balance of which is currently just over $350m, is being cut to 35 basis points from previous levels of ⅜ and ⅝ per cent respectively.

That means that the Lloyds Merchant Bank-led renegotiation offers juicier terms than the new credit with its split ⅛–¼ margins. Bankers believe the new loan is actually closer to current market levels for Czechoslovakia.

Elsewhere, Mitsubishi Bank and Nippon Credit are leading a Y30bn domestic credit for Hungary, while Thomson-CSF, the French electrical concern, is due soon to launch a $400m credit.

A formal mandate for the new $500m, eight-year credit for Korea Development Bank was still awaited in the Far East on Friday. That deal might be one of the last jumbo issues for Korea now that the oil-price fall has lifted pressure on its balance of payments.

The indicated terms still include a $100m tranche bearing interest at the expensive US prime rate so long as it is less than 90 basis points over the certificate of deposit rate. The remaining $400m is expected to carry interest at a margin of ½ per cent over Libor for five years, rising to ⅝ per cent thereafter.

Phillips Petroleum to reduce debt load

BY WILLIAM HALL IN NEW YORK

PHILLIPS PETROLEUM, the US oil company which is more vulnerable than most to the collapse in oil prices, plans to withdraw a substantial part of the excess funds in its pension plan and use them to reduce some of the heavy borrowings it incurred last year as part of its successful defence against a hostile takeover bid.

The management of Phillips plans to recommend to the board of directors at today's board meeting that the company's retirement plan be restructured to allow a reversion of a substantial part of the excess funds in the plan to the company. The reversion would occur during the latter half of 1986.

Phillips' move to use some of the excess funds in its pension plan to reduce its heavy debt load comes only days after Exxon, the world's biggest oil company, announced that it was seeking US Government permission to withdraw over $1bn from its $5.6bn US pension fund. Exxon said at the time that over 800 US companies had taken similar action in recent years. The surge in the US financial markets means that company pension plans are generally overfunded in relation to their obligations.

Phillips has been harder hit than most US oil companies by the collapse in oil prices. The restructuring of its pension plan will complement its continuing debt reduction programme as well as the company's reduction of capital expenditure and operating expenses.

In a bid to defend itself against an unwelcome takeover bid early last year, Phillips undertook a major financial restructuring which had the effect of increasing its long-term debt by $3.7bn to $8.5bn and reducing shareholders funds by $5bn. While retaining the company's independence, the move transformed Phillips Petroleum from one of the more conservatively financed companies in the oil industry to one of the most aggressively financed.

West Germany levies new rule on bank risk

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN banking supervisors have agreed on a new rule to take account of the "off balance sheet" risks run by banks operating in the growing Euronote facilities market.

The rule takes effect from this month and is tougher than many banks were hoping for. It is aimed at ensuring that banks which underwrite these facilities have adequate capital backing.

The Federal Credit Supervisory Office in Berlin has decided that half of the banks' obligations under these facilities be counted as loans for the purpose of calculating capital-to-lending ratios. So far this business has been treated as off balance sheet and hence needed no capital backing.

At a hearing in Berlin in April, representatives of the main German banking groups had argued strongly that only 25 per cent should be counted. They also stressed they should not be burdened by new rules harsher than those faced by main foreign competitors.

The step on which the Supervisory Office has now agreed is similar to that announced last year by the Bank of England, but tougher than that proposed by Japan.

Both the Bundesbank, the central bank, and the Supervisory Office have repeatedly warned of the potential risks involved in the Euronotes market and late last year the banks were asked to provide a detailed breakdown of their activities in this sector.

US MONEY AND CREDIT

Employment data end Wall St nosedive

SAVED by the bell, the US credit markets pulled out of a continued nosedive on Friday after Mr Paul Volcker, the Federal Reserve board chairman, said the Fed was firming. The employment data showed the reason why.

As a result short- and long-term interest rates ended the week little changed—hiding the market's underlying nervousness and uncertainty.

"The market now recognises that it had gone to bearish extremes," says Mr Philip Braverman of Irving Securities. The 0.2 per cent rise in the underlying unemployment data, and slow growth in consumer instalment credit, confirm continued US economic weakness."

Maybe. But in the interim the US credit market ran the full gamut of perceptions about the economy, inflation and interest rates. Interest rates moved steadily higher at the start of the week amid a growing perception that the Fed was unlikely to ease its policies in the near future.

These fears appeared to be confirmed by statements emerging from the Boston meeting of central bankers. With the dollar declining sharply, Mr James Baker, the Treasury secretary, gave the market a temporary boost on Tuesday by indicating that rates could still move lower.

But Mr Volcker appeared to put a massive road block in the way the following day by expressing concern about inflation—despite the renewed slide in crude oil prices—and by suggesting that the Fed could not move to cut the current 6.5 per cent discount rate ahead of similar moves by West Germany and Japan.

By Thursday—in the wake of a precipitous bond sell-off—Mr Volcker had changed at least half his mind. Inflation, he told a congressional committee, was a real concern. But he appeared to go out of his way to reassure the market that the Fed was not currently tightening monetary policy.

"Amid some market confusion about the significance of Federal Reserve Board pronouncements last week, at least one point was made clear," says Dr Henry Kaufman of Salomon Brothers. "on Thursday chairman Volcker put to rest any fears of Fed tightening."

Perhaps the biggest lesson from last week was that the Fed is indeed walking a very fine line. As Dr Kaufman noted, contrary to the Fed's open market operations, the Fed satisfied a substantial increase in reserve demand.

"In retrospect it now seems that the authorities have been merely pursuing a continuation of prior accommodation, with a leavening of caution needed in the light of high M1 growth rates and a likely end to energy deflation," says Dr Kaufman.

But Mr Volcker's initial Boston comments and the Fed's open market actions certainly succeeded in discouraging any market expectations of an imminent Fed easing.

By Friday the picture had changed. Mr Volcker's Congressional clarification that there was no ironclad linkage between foreign and domestic interest rate moves helped. More important, the May employment data suggested much weaker economic activity in May than had been expected—a picture which many Wall Street economists believe will be confirmed by this week's industrial production, personal income and retail sales figures.

If the numbers released this week bear out market expectations, the current view is that the Fed will be led towards further accommodation—with or without Japan and West Germany—fairly soon.

In any event the May employment data, which showed a civilian unemployment rate of 7.3 per cent, up from 7.1 per cent in April, and a slower than expected gain in non-farm payrolls, spurred a bond market rally on Friday.

The treasury long bond price jumped over 2 points on Friday, more than wiping out its earlier losses.

At the close on Friday most government bond prices were up between ¼ and ⅝ of a point after a week of extreme volatility.

The three- to seven-year portion of the Treasury yield curve has steepened dramatically since interest rates began their upward trek in mid-April.

In the money markets, rates rose sharply at the start of the week but fell back later. The Fed funds rate, after climbing between 6⅞ and 7 per cent while most other short-term interest rates were unchanged to 10 points lower—thanks to Friday's upbeat tone.

In the foreign exchange markets the dollar continued to tumble from its recent highs—halting a three-week rally.

Corporate bond prices were also hit hard by shifting market perceptions. After falling sharply in early trading last week, they managed to close to 7⅞ per cent, settled back to with gains of between ¼ and ⅜ points.

New issue yield were 15 to 30 basis points lower on medium-term notes and unchanged to slightly higher on long-term bonds.

The volatile markets are, however, taking their toll on new issue volume, which shrank to a relatively modest 2.8bn last week, according to Salomon Brothers.

Paul Taylor

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	Low
Fed Funds (weekly average)	7.02	6.91	6.79	8.81	6.79
Three-month Treasury bills	6.32	6.30	6.06	7.40	5.76
Six-month Treasury bills	6.37	6.40	6.06	7.49	5.79
Three-month prime CDs	6.83	6.82	6.48	8.10	6.42
30-day Commercial Paper	6.80	6.70	6.63	8.05	6.38
60-day Commercial Paper	6.76	6.65	6.50	8.00	6.25

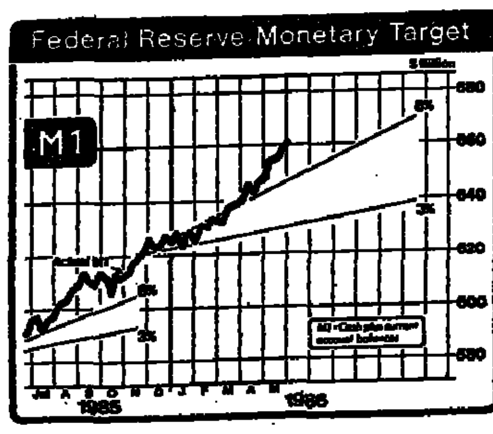
US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	97¾	+⅞	7.90	8.04	7.40
20-year Treasury	110	+⅞	8.34	8.41	7.73
30-year Treasury	99⅝	+⅞	7.67	7.77	7.36
New 10-year "A" Financial	N/A	+⅞	9.00	9.29	8.75
New "AA" Long utility	N/A	+⅞	9.38	9.40	8.88
New "AA" Long industrial	N/A	+⅞	9.13	9.10	8.86

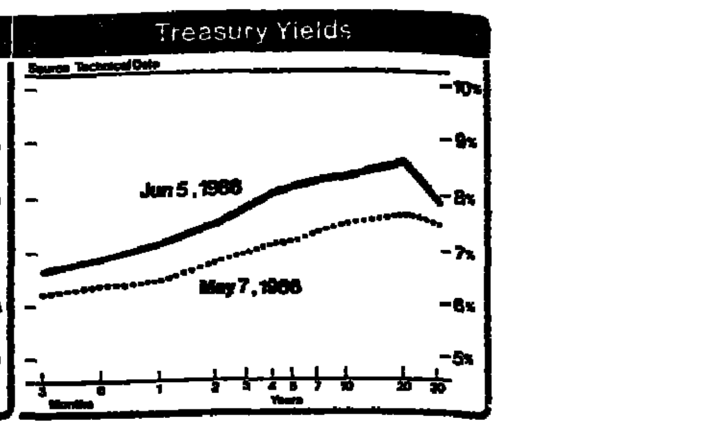
Source: Salomon Bros (estimates).

Money Supply: In the week ended May 26 M1 rose by $1.7bn to $660.5bn.

Federal Reserve Monetary Target



Treasury Yields



UK GILTS

Bank sends confusing interest rate signals

THE BANK OF ENGLAND flashed a light at the money market on Friday but the market cannot decide whether it was red or amber. Some participants are even reading it as green.

Throughout the week, three-month interbank rates had been pushing downwards to 9⅝ per cent. As the pressure mounted, the markets had found themselves increasingly short of cash towards the end of the day.

On Friday the Bank rejected the discount houses' early offers of bills and forced them to borrow at 2.30. The Bank ended up lending £365m to the discount houses for seven days at 10½ per cent. If its intention was to dampen their ardour for an early cut in bank base rates, the action may not have been severe enough.

"This is hardly anything of a signal at all," commented one discount house gilts dealer. "The half percentage point cut is already there. If the Bank had wanted to stop it they would have put a higher interest rate on." Compared to Band 1 eligible bills, which the Bank has been buying at 9⅝ per cent, the rate may have been punitive. Compared to weekend money bid as high as 12 per cent in the inter-Bank market, it was not.

In any event, the financial markets are still baying for an early cut in bank base rates—preferably to coincide with the announcement tomorrow of provisional money supply figures for the May banking month or, failing that, with the publication of the May retail price index number on June 13.

The snag with the money supply figures is that they can be read in several different ways according to the market's mood. A common forecast for sterling M3 (the broader measure of money) is that it will have increased by three-quarters of a per cent in banking May. This itself could be considered quite reasonable after its 2.2 per cent rise in March and 3.1 per cent rise in April.

A rise of ¾ per cent in the month would take the year on year increase to 17 per cent, two clear percentage points above the Government's target range of 11 per cent to 15 per cent, set less than three months ago. It is unclear whether the market would choose to pay more attention to the monthly or yearly figure.

The retail price index should bring more unalloyed pleasure. Both market participants and the authorities have been happy to link the last two cuts in base rates to the announcement of sharp deceleration in the retail price index, taking the view that, as inflation moves downwards, some modest downwards adjustment of nominal interest rates is appropriate to keep real rates within shouting distance of those in other countries.

The less sanguine will recall that this month, as last, the RPI is preceded a day earlier by the labour market statistics including average earnings. They will also recall that last month, for the first time in recent memory, the market took notice of the rather depressing unit labour cost figures.

The gilts market ended last week with its most cheerful day for some time, with longer dated stocks gaining 1½ points on Friday. This helped the FT Actuaries All Stocks index to recover to 141.31, while the 25-year high coupon yield edged down to finish the week at 9.17 per cent.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅝ 94	100	104½	−1⅛	10.83
AIDC 11 89	75	105⅛	−1⅛	8.71
Alcan Australia 8½ 89	25	98⅝	−0⅛	9.00
Amer Savings 12 89	125	104⅞	0	9.90
Amer Savings 12⅛ 89	100	105⅝	−0⅛	9.89
Asian Dev Bk 11⅝ 93	100	114⅞	−0⅛	8.91
Australia 11⅝ 90	100	111⅝	−1½	7.97
Australia 11½ 95	300	115⅞	−1⅛	8.97
Australia 11⅝ 98	100	118¼	−3	9.11
Austria 15½ 88	75	111½	−0¼	8.22
Avon Fin 10⅛ 92	100	103	−0⅞	9.57
Bk Nova Scotia 13⅞ 87	100	105⅞	−0⅛	7.84
Bank of Tokyo 12⅝ 92	100	112⅛	−0⅛	9.33
Bank of Tokyo 13⅝ 91	100	119⅞	−1⅛	8.61
Bank of Tokyo 13⅞ 89	100	114⅛	−0⅛	8.63
BMW O/S Ents 10⅝ 91	50	107⅛	0	8.71
BP Capital 11⅛ 92	150	106⅞	−1⅛	9.56
Br Col Hydro 11⅜ 93	200	115⅛	−1⅛	8.84
Br Col Hydro 12⅝ 14	200	122⅞	+0⅛	10.19
Br Col Hydro 12½ 13	250	124⅝	0	10.11
Britoil Fin 11⅞ 90	125	105⅛	−0⅛	10.14
Caisse Nat En 11⅜ 95	125	117⅛	−1⅞	8.82
Canada 10⅞ 88	500	106⅛	−0⅛	7.92
CBS Inc 11⅛ 92	100	108⅛	+0⅛	9.59
Centrust S & L 0 10	1.2bn	10⅞	−0⅛	9.82
Chesebrough 12 93	100	110⅛	−0⅛	9.77
Chubu Elec Pwr 13⅞ 91	50	112⅞	0	10.03
Citicorp O/S 10⅛ 90	100	102½	−0⅞	9.57
Citicorp O/S 11⅜ 90	100	104⅛	0	10.37
Citicorp 11⅜ 92	100	106⅛	−0⅞	10.21
Citicorp 11⅜ 97	200	107⅞	−0⅛	10.47
Citicorp O/S 14 94	100	100⅛	−0⅛	13.87
CNCA 11½ 92	125	111⅞	−1⅛	8.87
CNCA 13⅛ 91	100	117⅛	−1⅛	8.85
Coastlfed Int 12⅛ 88	125	105⅛	−0⅛	9.09
Coca-Cola 11⅞ 88	100	107⅛	−0⅞	8.04
Cp Fn de Paris 13⅞ 89	100	108⅞	−0⅛	10.75
Continental Grp 11½ 93	75	104½	−0⅞	10.58
Creditanstalt 13⅛ 91	100	117⅛	−1	8.57
Daiichi Kangyo 12⅛ 90	100	112⅞	−1⅛	8.75
Denmark 10⅞ 90	100	104⅞	−0⅛	9.43
Denmark 11½ 92	100	111	−1⅞	8.98
Denmark 12⅝ 92	250	101⅛	−0⅛	12.36
Denmark 13 91	100	116⅞	−1⅛	8.76
Denmark 13 92	100	101⅞	−0⅛	12.59
Denmark 13⅛ 91	100	117⅛	−1⅛	8.96
Denmark 13⅞ 88	100	111	−0⅛	8.14
Denmark 14 91	100	111	−0⅛	11.05
Digital Equip 11⅞ 89	150	107⅛	−0⅛	8.71
Dutch St Mines 11⅛ 91	150	107⅛	+0⅛	9.30
Eksportfinans 11⅛ 92	100	110⅛	−1⅛	8.79
Eksportfinans 11½ 90	100	107⅛	−0⅛	9.42
Elec de France 11⅞ 93	100	111⅛	−1⅞	8.87
Elec de France 12⅛ 87	150	106⅛	−0⅛	7.75
EC 11 87	350	103⅛	−0⅞	7.79
EC 11¼ 90	100	108⅛	−0⅞	8.38
EC 12 93	100	116⅛	−1⅛	8.89
Elf-Aquitaine 10⅞ 89	100	105⅛	0	8.57
Ericsson L M 10⅞ 88	100	103½	+0⅛	7.99
Euro Inv Bk 11½ 90	200	110½	−1⅛	8.57
Euro Inv Bk 11⅝ 91	72	108½	−1⅛	9.25
Euro Inv Bk 12½ 90	100	112⅞	−0⅞	8.46
EDC 9⅞ 88	200	102⅞	+0⅛	8.62
EDC 10 88	125	103⅛	−0⅛	7.85
EDC 10⅛ 88	100	104⅛	−0⅛	7.77
EDC 11⅛ 89	150	106⅛	−0⅛	8.24
EDC 12 89	100	110	−1⅛	8.46
EDC 13⅛ 87	100	108⅛	−0⅛	7.69
Fed Dept Store 11 90	100	107⅛	−1⅛	8.57
Finland 11½ 88	100	105⅛	−0⅛	7.88
Finland 12⅛ 94	75	119⅛	−1⅛	8.91
Finnish Export 12⅝ 87	75	105⅛	−0⅞	7.69
Firstfed Mich 1 13⅛ 89	125	109⅛	−0⅛	9.62
Florida Fed 12⅛ 89	100	105⅛	−0½	10.06
FNMA 11.5 91	300	109⅛	−2	9.14
Gen Elec Cred 0 96	600	42⅛	−0⅞	8.88
Gen Elec Cred 9⅜ 91	100	103⅛	−0⅛	8.83
Gen Elec Cred 10⅞ 90	200	103⅛	−0⅛	9.85
Gen Elec Cred 11 91	200	105½	−0⅛	9.47
Gen Elec Cred 11½ 87	200	104⅛	−0⅛	10.81
Gen Elec Cred 12 94	200	109½	−0⅛	10.24
Gen Foods Cap 11½ 90	75	107½	−0⅞	9.12
General Mills B 12 91	100	109⅛	−3⅞	9.73
GMAC 10 88	200	103	−0⅛	8.03
Gen Motors Acc 10⅞ 90	200	103⅛	−0⅛	9.25
Gen Motors Acc 11⅜ 90	100	106⅛	−0⅛	9.55
GMAC O/S Fin 15⅛ 97	100	102⅛	0	11.22
GTE Finance 12 96	75	103	−0⅛	11.47
Gulf Oil 10⅛ 94	100	102⅞	+0⅛	9.76
GZB 14 91	100	118⅛	−1⅞	9.28
Holl Air Fin 12⅛ 91	100	105⅛	−0⅞	10.71
Household Fin 11⅜ 92	100	109⅛	−0⅞	9.40
IBM 9⅜ 88	200	102⅞	−0½	9.30
IBM (WTC) 10⅞ 89	300	104⅛	−0⅞	9.77
IBM Credit 11 89	[illegible]	[illegible]	[illegible]	[illegible]
IC Industries 8⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
IC Industries 12 90	[illegible]	[illegible]	[illegible]	[illegible]
Inco 9 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Int Paper 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 0 97	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 12 86	[illegible]	[illegible]	[illegible]	[illegible]
ITT 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
ITT Credit Corp 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Japan Airlines 13⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Japan-Dev Bk 10⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Kimberley-Clark 12 94	[illegible]	[illegible]	[illegible]	[illegible]
Kyowa Fin HK 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 11 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred 12 90	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Credit 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Marubeni 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds Fin 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch 12⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Michelin 10 94	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Est 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Fin Asia 12⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Tst Fin 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Mobil Corp 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mgn Guaranty 12⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Morgan J P 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mount Isa Fin 13⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gasunie 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
N Eng Lf Mtg 11⅛ 85	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cred Bk 13⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cred Bk 9⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Nissho Iwai 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Oester Post 12⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Orient Fin 11 92	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & El 12 00	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Phillips Petrol 14 89	[illegible]	[illegible]	[illegible]	[illegible]
Postipankki 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Post-Och Krad 13⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Prvatbanken 12⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Ins 12⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 0 99	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rity Secs 12⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 12⅛ 94	150	[illegible]	[illegible]	9.76
Quensland Gvt 11⅛ 89	[illegible]	[illegible]	[illegible]	8.66
RBC 11⅛ 90	[illegible]	[illegible]	[illegible]	9.03
Rural Bk Aust 12 91	[illegible]	[illegible]	[illegible]	9.63
Sanwa Bank 11⅛ 92	[illegible]	[illegible]	[illegible]	9.47
Sanwa Intl 11⅛ 92	[illegible]	[illegible]	[illegible]	8.97
Saskatchewan 11⅛ 90	[illegible]	[illegible]	[illegible]	8.78
Saskatchewan 10⅛ 92	[illegible]	[illegible]	[illegible]	8.56
Saskatchewan 11⅛ 89	[illegible]	[illegible]	[illegible]	8.53
Saskatchewan 16 92	[illegible]	[illegible]	[illegible]	9.11
Saskatchewan 16 89	[illegible]	[illegible]	[illegible]	8.46
Scot Intl Fin 14⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Sears O/S Fin 0 89	[illegible]	[illegible]	[illegible]	9.36
Sears Roebuck 11⅛ 91	[illegible]	[illegible]	[illegible]	9.29
Sears Roebuck 11⅛ 95	[illegible]	[illegible]	[illegible]	8.75
Sec Pacific 12 92	[illegible]	[illegible]	[illegible]	9.03
Shearson/Amex 12⅛ 94	[illegible]	[illegible]	[illegible]	9.62
Shell Canada 14⅛ 92	[illegible]	[illegible]	[illegible]	11.22
Signal Comps 11⅛ 92	[illegible]	[illegible]	[illegible]	9.74
Standard Oil 10⅛ 89	[illegible]	[illegible]	[illegible]	9.21
Statoil 12 88	[illegible]	[illegible]	[illegible]	7.85
Sumitomo F. A. 10⅛ 90	[illegible]	[illegible]	[illegible]	8.68
Sumitomo Intl 11⅛ 92	[illegible]	[illegible]	[illegible]	8.92
Sumitomo Fin 12⅛ 91	[illegible]	[illegible]	[illegible]	9.06
Sumitomo Trust 12⅛ 92	[illegible]	[illegible]	[illegible]	9.24
Sweden 11⅛ 89	[illegible]	[illegible]	[illegible]	8.36
Sweden 12⅛ 94	[illegible]	[illegible]	[illegible]	8.37
Swedish Export 10⅛ 88	[illegible]	[illegible]	[illegible]	9.91
Swedish Export 11⅛ 89	[illegible]	[illegible]	[illegible]	8.35
Swedish Export 12⅛ 89	[illegible]	[illegible]	[illegible]	9.21
Taiyo Kobe 11⅛ 90	[illegible]	[illegible]	[illegible]	8.95
Taiyo Kobe 12 90	[illegible]	[illegible]	[illegible]	8.91
Tenneco Corp 11⅛ 89	[illegible]	[illegible]	[illegible]	9.42
Texaco Capital 10⅛ 90	[illegible]	[illegible]	[illegible]	10.98
Texaco Capital 11⅛ 95	[illegible]	[illegible]	[illegible]	11.07
Texaco Capital 13⅛ 94	[illegible]	[illegible]	[illegible]	11.72
Texas Instru 11⅛ 91	[illegible]	[illegible]	[illegible]	10.03
Tokai Asia 12⅛ 89	[illegible]	[illegible]	[illegible]	8.49
Tokyo Elec Pr 13⅛ 89	[illegible]	[illegible]	[illegible]	9.03
Tokyo Metrop 12⅛ 94	[illegible]	[illegible]	[illegible]	9.60
Toronto Dom 11⅛ 92	[illegible]	[illegible]	[illegible]	9.30
Toronto-Dom 12⅛ 89	[illegible]	[illegible]	[illegible]	8.69
UBS 12⅛ 91	[illegible]	[illegible]	[illegible]	9.94
Utd Tech 11⅛ 92	[illegible]	[illegible]	[illegible]	9.76
Veba 8 93	[illegible]	[illegible]	[illegible]	10.00
West LB 11⅛ 90	[illegible]	[illegible]	[illegible]	9.70
Westpac 12⅛ 92	[illegible]	[illegible]	[illegible]	9.13
Weyerhaeuser 11⅛ 90	[illegible]	[illegible]	[illegible]	9.80
World Bank 11 92	[illegible]	[illegible]	[illegible]	8.64
World Bank 11⅛ 90	[illegible]	[illegible]	[illegible]	8.49
World Bank 11⅛ 92	[illegible]	[illegible]	[illegible]	9.18
World Bank 12⅛ 94	[illegible]	[illegible]	[illegible]	8.83
World Bank 12 93	[illegible]	[illegible]	[illegible]	8.82
Yasuda Trust 12⅛ 89	[illegible]	[illegible]	[illegible]	8.97
Yorkshire Intl 12⅛ 92	[illegible]	[illegible]	[illegible]	8.74

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
African Dev Bk ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Allied Irish ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Arab Bank Corp ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banca di Roma ¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bankers Tr NY ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Montreal ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bque Nat Paris ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bque Nat Paris ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays O/S ¼ Perp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BBL ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BCI ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE ¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium ¼ 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE ¼ 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME ¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chase Manhattan ¼ 09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chemical NY ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S ¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp Pan Pan ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Foncier 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Foncier ¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais ¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais ¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National ¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dai-Ichi Kangyo ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den Danske Bk ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark ¼ 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eldorado Nuke 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENEL ¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exterior Intl ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ferro del Stat ¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ferro del Stat 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finnpap ¼ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
First Chicago ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
First Chicago ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cr ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GW O/S Fin ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grindlays ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interfirst Tex ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland ¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland ¼ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy ¼ 05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kleinwort Benson ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Korea Dev Bk ¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lincoln S & L ¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Euro ¼ 04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia ¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Man Hanover ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marine Midland ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marine Midland ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marine Midland ¼ 08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mellon Bank ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Intl ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Fin ¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Morgan Grenfell ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mtg Intermed ¼ 10 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat Bank Canada ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest ¼ 05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat West Fin ¼ Perp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Neste Oy ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 2001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NZ Steel Corp ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Offshore Min ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oster Land Bank ¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renfe ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Santos Int Fin ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEAT ¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Security Pac ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shawmut Corp ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF ¼ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soc Generale ¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soc Generale ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain ¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chart ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Trust ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden ¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Ex Cred ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand ¼ 05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokai Asia ¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toyo Trust Asia ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UBAF ¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk Finland ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bank Norw ¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yorkshire Int ¼ 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Alinomoto 3 99	[illegible]	[illegible]	[illegible]	−4.21
Best Denki 5⅛ 97	[illegible]	[illegible]	[illegible]	−2.26
Canon 7 97	[illegible]	[illegible]	[illegible]	−2.08
Daiwa Secs 5½ 98	60	507⅛	+37⅛	2.65
Elders 11⅛ 94	160	129½	−2	−5.76
Elektrowatt 5 98	51	139	−0⅛	−6.56
Fuji Bank 2⅛ 00	100	127⅞	+1⅛	1.97
Fujitsu 3 99	180	121⅛	+0⅞	0.87
Intec Inc 3 99	50	184½	−0⅛	−7.74
Kyowa Hakko 6⅛ 97	40	387⅞	+41⅛	0.19
LASMO 9⅛ 99	44	87⅛	+0⅞	120.67
Moet-Hennessy 7 99	50	164½	+1	−89.97
Murata Mfg 3½ 00	100	158⅛	−4⅞	20.74
Nippon Oil 3⅛ 98	50	162⅛	+14⅛	6.45
Ono Pharm 3⅛ 98	60	184⅛	+2	−0.40
Soc Gen Surv 4½ 94	60	187⅞	+0⅞	−2.22
Sumitomo Corp 2⅞ 99	70	194⅛	+3⅞	0.79
Texaco Capital 11⅞ 94	1bn	105⅞	0	59.28
Texaco Capital 11⅛ 94	500	105⅛	+0⅞	59.96
Tamura Jntendo 5⅛ 96	30	153⅛	+6	0.46
Yamaichi Sec 3⅛ 95	20	189	+16	1.42

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7½ 94	15	106⅞	+0⅛	6.26
Avon Products 6⅛ 91	25	100⅛	+1⅛	6.65
Denmark 6⅛ 92	20	102½	+1	6.20
Dow Chemical 7 94	50	100½	+1⅛	6.97
EDF 6⅞ 95	20	104⅛	+0⅛	6.16
Eurofima 7⅞ 94	10	103⅛	+0⅛	6.84
Eurofima 6⅛ 92	10	101	+1	6.40
FNMA 6⅞ 92	50	103	+1⅛	6.22
GMAC 6½ 90	25	101	+0⅞	6.17
Intal 6⅛ 92	12.5	99⅞	+0⅞	6.75
Int-Amer Dev 7⅞ 93	15	103⅛	+0⅛	7.30
ITT 6⅛ 92	20	100⅛	+0⅛	6.69
McDonald Corp 6½ 92	25	100⅛	+0⅛	6.36
New Zealand 7⅞ 90	15	104⅞	+0⅛	5.94
New Zealand 7⅛ 89	15	105	+0⅛	5.89
Pacific Gas & Elec 7 94	20	102½	+1⅛	6.59
Penney J. C. 6⅛ 92	25	100⅛	+1⅞	6.69
Procter 6⅛ 92	25	102⅛	+1⅛	6.14
Sallie Mae 6⅛ 92	25	102	+1	6.18
TRW 7 94	15	100⅛	+1½	6.95
Utd Technology 6⅛ 92	25	100⅛	+0½	6.59
World Bank 7 94	20	106⅛	+0⅛	5.92
World Bank 7⅛ 93	20	109⅛	+0⅛	5.98
World Bank 8 93	20	111⅛	+0½	5.82

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 89	600	100⅛	−0⅛	9.45
Eurofima 10 94	600	105⅛	−0⅞	9.09
E Coal & Steel 10½ 94	1bn	106	0	9.40
Euroinvest Bk 10½ 94	1bn	107	0	9.19
World Bank 10⅛ 89	1bn	105½	−0½	8.12

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	104⅛	−0⅛	6.16
ABN 7⅛ 89	150	104½	−0⅞	6.22
Amro Bank 7⅛ 89	150	102⅞	−0⅛	6.29
Amro Bank 8 89	200	104⅛	+0⅛	6.12
Bk Mees & Hope 8⅛ 89	100	104⅛	−0½	6.29
Beatrice Foods 8⅛ 89	100	104⅛	0	6.64
C C Rabo 8 89	150	104⅛	−0⅞	6.13
Denmark 8½ 91	100	108⅞	+0⅛	6.35
Int Stand Elec 8½ 89	100	104⅛	−0⅛	6.55
New Zealand 8⅛ 89	100	105⅛	−0⅛	6.28

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	50	106	−0⅛	10.96
Aust Resources 11⅛ 92	50	106⅛	+0⅛	10.02
Bank of Tokyo 10⅞ 92	75	102½	−1⅞	10.28
Bqe l'Indosuez 14 91	75	112⅞	0	10.73
Br Col Munic 12⅛ 91	100	109⅛	−0⅛	10.21
Br Col Munic 13½ 91	100	104⅛	+0⅛	11.52
Br Col Tele 12⅛ 89	70	112	−0⅛	10.33
Farm Cred Corp 12⅛ 90	75	107⅞	−0⅞	9.88
Kredietbank 12 92	75	108	−0⅛	10.04
Long Term Cred 11⅛ 90	75	106⅛	+0⅛	9.81
Montreal City 12⅛ 91	50	108⅞	−0¼	10.08
New Brunswick 12 95	75	109⅛	−0⅛	10.22
Nova Scotia 11⅛ 95	100	108⅛	−0⅛	10.13
Quebec Hydro 14 91	75	107⅞	−0⅞	11.83

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	106½	−1⅛	8.02
Australia & NZ 10⅛ 91	50	105½	+0⅛	9.27
Austria 10⅛ 93	100	112⅞	−1⅛	8.02
BFCE 9⅞ 92	100	109⅛	−2⅛	7.63
Cred National 10⅛ 94	50	115⅛	−3⅛	7.83
Cred National 11⅛ 91	50	107⅞	+0⅞	9.25
Denmark 10⅛ 91	75	106⅛	−0½	9.17
Ebco Intnl 10⅞ 89	55	104⅛	+0⅛	8.98
EEC 11 93	50	102⅛	−1⅞	10.55
EEC 11⅛ 91	50	109⅞	+0⅛	8.91
EEC 11⅛ 93	70	102	−1½	10.82
Euro Coal & Steel 6 94	60	123	+0½	8.83
Euro Invest Bk 9⅛ 95	200	108½	−0½	7.85
Euro Invest Bk 10⅛ 94	130	112⅛	−1⅞	7.92
Euro Invest Bk 10⅛ 89	60	105⅛	−2⅛	8.19
Euro Invest Bk 10⅛ 94	100	112⅛	−7⅛	8.40
Euro Invest Bk 11⅛ 92	75	111	−1½	8.71
Euro Invest Bk 11⅛ 93	60	108⅛	−1⅛	9.50
Euro Invest Bk 11⅛ 96	90	116⅛	+0⅛	8.70
Gen Finance 11 90	70	106⅛	+0⅞	9.50
Giro Vienna 10½ 93	80	113	−1⅛	8.10
GTE Finance 10⅞ 92	50	106⅞	−0⅛	8.98
Ireland 10⅛ 95	50	107	0	9.03
Italian Govt 10½ 92	600	113⅛	−2½	7.82
Italian Treas 11½ 90	60	112⅞	−1⅛	8.07
Italy 9⅞ 89	200	103⅛	−1⅞	7.91
Kredietbank L 9⅞ 92	75	109	−2⅛	7.37
Megal Finance 11⅛ 94	100	111⅛	0	9.09
Nippon Cred Bk 11 91	50	106⅛	−1⅛	9.25
Post Och Kred 10½ 92	50	101⅛	+2⅛	10.56
Royal Bk Can 10½ 89	85	104⅛	−0⅞	8.65
SNCI 10⅞ 94	80	111½	+0⅞	8.80
Swedish Export 11 89	57	104⅞	0	9.00
West LB 10⅞ 91	50	104⅞	−0⅛	9.50
World Bank 10⅛ 88	100	105½	−0⅛	8.03

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	98⅛	+0½	13.29
PIBA 12⅛ 89	50	97	−0⅛	13.68
State Bk NSW 12⅛ 89	40	99⅛	−0⅛	12.46
Woolworths 14⅛ 88	25	101	−1	13.62

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	104⅛	−0⅛	9.72
Denmark 10⅛ 89	75	103⅛	−0⅛	9.36
EEC 11⅛ 94	60	110½	−0⅛	9.37
Europaret 11⅛ 92	50	108½	0	9.39
Euro Invest Bk 10⅛ 92	50	107⅞	−0½	8.90
Finland 11⅞ 88	50	104⅛	+0⅛	9.65
Grand Met Fin 10⅞ 90	50	100⅞	0	9.70
Int-Amer Dev 11⅛ 91	60	106⅛	−0½	9.64
Int Stand Elec 11⅛ 89	50	104	0	9.28
Inv In Indust 11½ 91	50	105	+2⅛	10.23
Ireland 11⅛ 94	50	109⅛	−0⅛	9.84
New Zealand 10⅛ 89	100	103	−0⅛	9.37
SNCF 11⅛ 94	60	109⅛	−0⅛	9.42
World Bank 10⅛ 89	100	103⅞	−0⅛	9.11
World Bank 10⅛ 89	50	104½	−0⅛	9.04
World Bank 11 94	50	109⅛	−0½	9.38

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Casio Computer	6/3/89	81	+3⅞	−30.01
Ciba-Geigy Int E	1/11/93	422½	0	7.89
Credit Suisse	31/5/88	91⅞	−4⅞	−40.89
Deutsche Bk Cie Fn	18/6/91	0		
Fujikura	28/4/89	0		
IC Inds	15/6/88	38⅞	+0⅞	−2.07
Komori Print Mach	20/12/89	88	0	−20.76
Minebea	20/2/89	0		
Mitsubishi Cp	7/11/88	0		
Mitsui Eng & Ship	10/12/87	0		
Nissho Iwai	1/2/89	76	0	−30.27
Renown Ice	26/1/89	41	0	−17.94
Swiss Bank Cpn	20/12/88	119⅛	−8⅛	5.89
Tokyo Electric	14/3/89	31	0	21.24
Union Bk Switz A	30/11/89	25	−3⅛	28.65

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	15/2/88	68⅛	−18⅛	9.45
Coca-Cola 11⅛ 91	28/11/88	83	−25⅞	9.34
Dai-Ichi K 6⅛ 96 B	1/1/96	10½	−12	6.35
Du Pont 13⅛ 89	25/8/88	110⅛	−12	9.10
Eksportfins 13⅛ 89	15/9/87	110⅛	−17⅞	9.16
Gen Elec 12⅛ 91	7/8/87	124	+1⅛	9.58
Ind Bk Jpn 12⅞ 91	5/10/89	134⅛	−23⅛	9.52
ITT Finance Corp	15/11/89	144½	−18⅛	9.75
McDnlds 11⅛ 94	6/1/89	67½	−25	9.80
Oester Lnbk 13½ 89	9/9/87	106⅛	−8⅛	9.46
Texaco Cap 12⅞ 92	1/8/87	66	−7⅞	−3.27
Trnto Dom 12⅛ 91	5/4/88	119⅛	−8⅛	9.66

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on June 6.

This announcement appears as a matter of record only.

New Issue 28th May, 1986

BSI OVERSEAS

Banca della Svizzera Italiana (Overseas) Ltd.

(Incorporated under the laws of the Commonwealth of the Bahamas)

U.S. $25,000,000

4 per cent. Guaranteed Notes due 1993 with "A" and "B" Warrants attached to acquire 20,000 Bearer Participation Certificates "tranche B" of Sfr. 500 par value each of, and unconditionally guaranteed by,

BSI 1873

Banca della Svizzera Italiana

(Incorporated under the laws of Switzerland)

Issue Price 100½ per cent.

Union Bank of Switzerland (Securities) Limited **Banca della Svizzera Italiana**

Credit Suisse First Boston Limited **Daiwa Europe Limited**

Deutsche Bank Capital Markets Limited **Irving Trust International Limited**

Swiss Bank Corporation International Limited

This announcement appears as a matter of record only.

New Issue 2nd June, 1986

E

A/S EKSPORTFINANS

(Forretningsbankenes Finansierings- og Eksportkredittinstitutt)

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$100,000,000
7⅝ per cent. Notes due 1993
and
100,000 Income Warrants
to subscribe for
U.S. $100,000,000
8½ per cent. Notes due 1993

Issue Prices: 7⅝ per cent. Notes – 100⅞ per cent.
Warrants – U.S. $75 per Warrant

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A. **Banque Nationale de Paris**

Daiwa Europe Limited **Deutsche Bank Capital Markets Limited**

Fuji International Finance Limited **Lloyds Merchant Bank Limited**

Mitsubishi Trust & Banking Corporation (Europe) S.A. **The National Bank of Kuwait S.A.K.**

The Nikko Securities Co., (Europe) Ltd. **Nomura International Limited**

Orion Royal Bank Limited **Smith Barney, Harris Upham & Co. Incorporated**

Svenska Handelsbanken Group **Yamaichi International (Europe) Limited**

This announcement appears as a matter of record only.

New Issue 8th April, 1986

U.S. $100,000,000

Province of New Brunswick
(Canada)

8 per cent. Notes due 1996
of which
U.S. $75,000,000 are being issued as an initial tranche

Issue Price of the initial tranche: 99¾ per cent.

Union Bank of Switzerland (Securities) Limited

Bankers Trust International Limited **Banque Bruxelles Lambert S.A.**

CIBC Limited **Chase Investment Bank**

Crédit Commercial de France **Crédit Lyonnais**

Deutsche Bank Capital Markets Limited **Dominion Securities Pitfield Limited**

The Nikko Securities Co., (Europe) Ltd. **Orion Royal Bank Limited**

Swiss Bank Corporation International Limited **S. G. Warburg & Co. Ltd**

Wood Gundy Inc.

Julius Baer International Limited **Banca del Gottardo**

Bank Leu International Ltd **Nesbitt, Thomson Limited**

Richardson Greenshields of Canada (U.K.) Limited **Swiss Volksbank**

This announcement appears as a matter of record only.

New Issue 20th May, 1986

NOVA AN ALBERTA CORPORATION

Can. $100,000,000

10% Series B Debentures due May 20, 1996

Issue Price 101½%

and

100,000 9¾% Income Warrants to subscribe for
U.S. $100,000,000 8¾% Series C Debentures due January 20, 1994

Issue Price U.S. $100 per Warrant

Union Bank of Switzerland (Securities) Limited

Bank of Montreal **The Bank of Nova Scotia**

Banque Bruxelles Lambert S.A. **Citicorp Investment Bank Limited**

Commerzbank Aktiengesellschaft **Crédit Commercial de France**

Dominion Securities Pitfield Limited **EBC Amro Bank Limited**

Kredietbank S.A. Luxembourgeoise **McLeod Young Weir International Limited**

The Nikko Securities Co., (Europe) Ltd. **Orion Royal Bank Limited**

S. G. Warburg & Co. Ltd. **Westdeutsche Landesbank Girozentrale**

Wood Gundy Inc.

Banca della Svizzera Italiana · Leu Securities Limited · Lloyds Merchant Bank Limited

B. Metzler Seel Sohn & Co · Swiss Volksbank · Vereins- und Westbank Aktiengesellschaft

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

BELGIAN STOCKS

Second market gains another entrant

A FAST growing computer rental concern today becomes only the second company to join Belgium's 12-month-old junior stock market (*second marché*).

Econocom Belgium, part of an international group of European and North American businesses founded and controlled by Mr Jean-Louis Bouchard, is offering investors just over 222,000 of its shares (or 15 per cent of the equity) at a minimum subscription price of BFr 950. More shares will probably be made available if the issue is heavily oversubscribed.

New public offerings are few and far between in Belgium; only four companies joined the Brussels bourse in 1985 and a further three in the first six months of this year. Fresh entrants to the junior market are an even rarer phenomenon in a country whose financial authorities are deeply conservative and whose entrepreneurs *are still generally reluctant to* raise new capital in this way.

The *second marché* was established just over a year ago in an effort to encourage small, high-technology companies with a track record of less than five years to seek a public listing. Observers note, however, that unlike say the Unlisted Securities Market (USM) in Britain, which has attracted a keen following, the advantages are somewhat limited. She quality of financial information about candidates for listing required by Belgium's Bank Commission, *for example, is almost as high* as that needed to get a full quote.

Until today investors interested in the junior (or "parallel") market had to content themselves with just one stock—a high flying manufacturer of modes called Tellindus. This company, which increased its profits by 50 per cent in 1985, claims to be the first non-Japanese company of its kind to have supplied its products to the Japanese telecommunications utility Nippon Telephone and Telegraph (NTT).

Econocom Belgium is aiming to become an integrated computer supplier taking in equipment rental (predominantly of IBM machines), peripherals supply, training, maintenance and systems development. It obviously hopes to emulate the *Telindus example. Set up in* 1982, Econocom Belgium can boast an almost threefold rise in turnover between 1983 and 1985 from BFr 892m to BFr 2.44bn ($53.6m) and an increase in profits before tax from BFr 37m to BFr 102m over the same period.

Econocom companies, which operate in the main North European countries and in North America, are at the moment linked only by their name and the presence in all cases except France of Mr Bouchard as major shareholder. Plans are afoot to create a formal holding company which will seek a full stock market listing in Europe and North America after 1988 (at which point Econocom Belgium shareholders would be offered an exchange for stock *in the worldwide operation*).

Whether the present trickle of companies coming to the *second marche* in Belgium develops into a more substantial flow remains an open question. Listing requirements are seen as an important means of protecting Belgian investors, and there is no immediate sign that they will be relaxed. An executive of Brussels stockbroker Peterbroeck, van Campenhout, however, said that his firm is currently talking to about 15 companies interested in being introduced to the *second marche*.

"Five years ago the entrepreneur would never have thought about coming to the stock exchange. Now people are at least talking about it, their mentality is changing. I think we may see a lot of new companies in the next few years."

Tim Dickson

MPH result indicates heavy loss

MULTI-PURPOSE Holdings (MPH), the diversified and controversial Malaysian Chinese investment group, has finally released its audited results for 1985. They show the group incurred a record after-tax attributable loss of 192m ringgit ($73m), writes Wong Sulong in Kuala Lumpur.

The bulk of the loss, amounting to 151m ringgit, was attributed to massive write-downs of its 80 per cent Hong Kong-based shipping subsidiary, Promptship Holdings, and to provisions for bad debts of its trading division, Mulpha International.

Both Promptship and Mulpha International (formerly Guthrie Trading) were acquired in 1983 at a cost of around 350m ringgit, and the two units have provided big problems.

At the time of their acquisition, MPH directors said the purchase formed part of the strategy to develop MPH into a Malaysian multinational, with interests in banking, property development, plantations, shipping and trading.

MPH directors said steps were being taken to control losses by these two subsidiaries, including the decision to sell most of Promptship's ageing fleet, cancellation of orders for new ships, and closure of Mulpha's loss-making trading lines.

MPH recorded an operational pre-tax profit of 59m ringgit for 1985, on turnover of 652m ringgit, compared with a profit of 104m ringgit on turnover of 640m ringgit in 1984. This turned into a loss of 41m ringgit after tax and minority interests.

MPH, whose shares are currently selling at around 40 cents compared with 4 ringgit when it was listed three years ago, was formed in 1976 by the Malaysian Chinese Association, the Chinese partner in the Malaysian Government.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Iseki & Co. ¶‡	70	1991	5	2⅞	100	Nikko Secs. (Europe)	2.875
Orient Leasing ¶‡	60	1991	5	2¾	100	Daiwa Europe	2.750
Alco Health Services §‡	100	2001	15	6¼	100	Drexel Burnham Lambert	6.250
Mitsubishi Petrochemical ¶‡	70	1993	7	3⅛	100	Nikko Secs. (Europe)	3.125
Uny Co. ¶‡	60	1991	5	2¾	100	Nomura Int.	2.750
Fuji Heavy Ind. ¶‡	150	1993	7	3⅛	100	Yamaichi Int. (Eur)	3.125
Fuji Heavy Ind. ¶‡	50	1993	7	3⅛	100	Daiwa Singapore	3.125
United Cable Tel. Corp. §	50	2001	15	(5½–6)	100	Drexel Burnham Lambert	*
Household Bank (a)†‡	100	1996	10	15bp	100	Goldman Sachs	–
Bladex (b)†¶‡	30	1991	5	⅜	100	Goldman Sachs	–
Jyske Bank (c)†‡	100	1995	9	3/16	100	*Lloyds Merchant Bk*	–
Toyota Motor Credit ‡	100	1989	3	8	100⅜	Merrill Lynch	7.711
S. G. Warburg (d)†‡	200	2006	20	⅛	100	S. G. Warburg	–
Maruetsu ¶	70	1991	5	2¾	100	Nomura Int.	2.750
Varde Bank (e)†‡	15	1994	8	¼	100	Den norske Creditbk	–
National Bk Canada (f)†‡	200	1996	10	1/16	100	Morgan Stanley	–
Yamaichi Secs. Co. ¶	40	1996	10	(4)	100	Yamaichi Int. (Eur)	*
Yamaichi Secs. Co. ¶	30	1993	7	(3¼)	100	Yamaichi Int. (HK)	*
Mitsui and Co. (g)‡	50	1991	5	8	99	Nomura Int.	7.98
Sunrise Medical §	*30*	*1996*	*10*	*(7–7½)*	*(100)*	*Kidder Peabody*	*
Hitachi Credit ¶	40	1991	5	(2¾)	100	Nomura Int.	*
Viacom Int. §	200	2001	15	(5¾–6)	100	CSFB	*
D-MARKS							
Public Pwr Corp. Greece	150	Postponed				Bayerische Vereinsbk	
Intershop O'seas Fin. ¶‡	100	1996	10	2¾	100	UBS (Deutschland)	2.750
Eurofima ‡	100	1996	10	6¼	100	Deutsche Bank	6.250
Suminoe Textile Co. ¶	50	1993	7	(1¼)	100	WestLB	*
SWISS FRANCS							
Bank of Greece	100	1994	–	(5½)	(99)	B. della Svizzera Ital.	*
Montedison Fin. ¶	400	1996	–	3	100	SBC	3.000
Asahi Breweries **‡	50	1991	–	4¾	100	Swiss Volksbank	4.750
Hydro-Quebec **‡	75	1994	–	4¾	100	Mgn. Guaranty (Switz)	4.750
Asian Dev. Bank	100	1994	–	(5)	*	Credit Suisse	*
New Brunswick El. Pwr **‡	80	1991	–	5	100¼	UBS	4.942
Shield Enterprises §	200 max	1993	–	(6¼)	(100)	Soditic	*
Sanyo Coca Cola **§	25	1991	–	(1¼)	100	Bqe Paribas (Suisse)	*
Chiyoda Shoe Shop **‡	*30*	*1991*	–	4⅞	*100.3*	*Citicorp Bk (Switz)*	4.806
Takara Shuzo **¶	30	1991	–	(1¼)	100	Credit Suisse	*
Swedish Ex. Credit ‡	40	2016	–	5¼	100	Credit Suisse	5.250
United Breweries	80	1996	–	(5)	*	UBS	*
Southmark Corp. ¶	200 max	1994	–	(5½)	(100)	Bqe Paribas (Suisse)	*
Ford Motor Cr. **‡	202.25	1988	–	4¼	100	Credit Suisse	4.250
Kikusui Elec. **‡	15	1991	–	(4⅞)	(100)	Credit Suisse	*
Hitachi Credit **‡	50	1993	–	4⅞	99¾	UBS	4.918
STERLING							
Yamaichi Secs. Co. ¶	20	1991	5	(3½)	100	Yamaichi Int. (Eur)	*
ECUS							
C. Itoh ¶	100	1991	5	(2¼)	*	Banque Paribas	*
DANISH KRONER							
Varde Bank ‡	100	1993	7	9⅝	100¼	Chase Manhattan	9.574
LUXEMBOURG FRANCS							
Enso Gutzeit ‡	600	1993	7	7⅜	100	Kredietbank Int.	7.375

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⌀ With bond warrants. (a) 15bp over 3m Libor. (b) ⅜ over 6m Libor. (c) 3/16 over 6m Libor. (d) ⅛ over 6m Limean. (e) ¼ over 6m Libor. (f) 1/16 over 6m Libor. (g) Deferred coupon, first coupon at end of 4th year; unlisted. Note: Yields are calculated on AIBD basis.

Northgate mines to forge stronger links

By Kenneth Marston, Mining Editor

A STRONGER link is to be *forged between two* of the Northgate group mining companies, the Australian gold-producing Whim Creek Consolidated and Westfield Minerals of Toronto. Whim Creek is to subscribe C$2.5m ($1.8m or £1.19m) for 2m new shares of Westfield at C$1.25 per share plus a three-*year option on a further 2m* shares.

Completion of the initial share placement would give Whim Creek a 20 per cent interest in Westfield while the option exercise would provide a further 15 per cent.

Investments held by West-*field* have a *current market* value of C$25m and include Ennex International (37 per cent), Northgate (10 per cent) and Whim Creek (8.7 per cent).

Swiss Reissue

Swiss Reinsurance plans an international issue of 200,000 participation certificates of a nominal SFr 50 each in the next few months through a syndicate led by Credit Suisse First Boston, Reuter reports.

The company's participation certificates traded at SFr 3,200 *in Zurich on* Friday. The issue price will be based on prevailing market conditions at the time of issue.

Air Canada sells Jamaica stake

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN Government is to buy Air Canada's 5 per cent shareholding in Air Jamaica, making that Jamaican carrier totally state-owned by the end of this year.

The move follows an earlier decision by Air Canada not to renew a contract for its minority shareholding. Air Canada has steadily reduced its stake in Air Jamaica since it was launched 16 years ago.

The 240,000 ordinary shares *are to be bought by the Govern*ment for C$2m (US$1.4m), according to Air Jamaica representatives. Along with its minority shareholding, Air Canada has been providing technical assistance. It is not known whether the Government will now seek another foreign air*line as a partner.*

The announcement of the buy-out coincided with a forecast by Mr Tony Hart, chairman, that Air Jamaica would record its second consecutive operational profit this year, after nearly a decade of losses.

"*We* are expecting to record a J$45m (US$8.2m) operating profit for 1986, following an operational profit of J$23m in 1985." Mr Hart said over the weekend.

"This could be larger than we are anticipating, as this projection is based on oil costing $20 per barrel."

An agreement, renewed last week, with British Airways for jointly serving the London-Kingston route with three flights per week, using BA's B 747 aircraft, is expected by Mr Hart to contribute about J$5m a year.

The company says the improvements in operating profits have prepared the ground for Air Jamaica to tackle its serious financial problems. The airline *is carrying a debt of J$76.5m*, and servicing this will contribute to an expected net loss of J$45.3m in the year ending March 31, 1987.

Mr Hart said, however, that if Air Jamaica could record an operating profit of J$85m next year, its net performance would *be in the black by 1988*.

Air Jamaica operates a fleet of seven aircraft, five B 727s and two Airbus 300s. Four of the B 727s were sold to, and *then leased back from*, Guinness Peat Aviation last year, while the fifth is leased from Ansett of Australia.

The two Airbus 300s are owned outright by the company, having been purchased from the fleet of the defunct Laker Airways with the aid of a US$100m *loan from Midland Bank*.

Mr Hart said Air Jamaica was considering purchasing a third Airbus, and was investigating the possibility of financing this through Guiness Peat Aviation.

Hopes for continued improvements in Air Jamaica operating performance are based on the *growth in volumes on the air*line's routes. Revenue passenger miles increased by 44.5 per cent to 919,338 in 1985.

Air Canada's losses more than doubled to C$46.2m (US$33m) in the first three months of this year, compared to C$22.1m in the first quarter of *1985. The state-owned airline*, Canada's largest, blamed the deterioration mainly on greater use of discount fares and bigger discounts. Traffic volumes grew by 6 per cent and operating revenues rose by 7 per cent to C$645m. A steep rise in the cost of aircraft materials such as engine parts and panelling, and a higher fuel bill contributed to a 15 per cent increase in operating expenses. Mr Pierre Jeanniot, president, said that the company has implemented a "financial improvement programme" with the aim of achieving a small profit later this year. The airline plans *to dispose of some aircraft* and has extended a freeze on hiring staff. It is also looking for new international routes to offset the slow growth in domestic traffic. A freighter service to Brussels and Bangkok will be introduced later this year. Air Canada is particularly keen to break the Government-sanctioned monopoly enjoyed by Canadian Pacific Airlines, its main competitor, across the Pacific to Japan and South-East Asia.

Non-operating gains underpin Japanese profits

By Yoko Shibata in Tokyo

SOME 40 per cent of large Japanese industrial companies made more money in the financial year ended March 31 out of treasury operations than they did out of manufacturing, according to a survey by a Tokyo securities house.

Out of 952 industrial companies listed on the first and second sections of the Tokyo stock exchange, 375 reported that their profits were heavily underpinned by non-operating items, according to the survey carried out by Wako Securities. By contrast, operations were hit hard by the steep appreciation of the yen during the period.

The companies surveyed suffered a combined 7.5 per cent drop in operating profits, but were able to limit the decline in their pre-tax profits to only 2.1 per cent

According to Wako, Japanese companies have become more sophisticated in their treasury techniques, taking foreign exchange profits on the yen's appreciation by early redemption of foreign currency-denominated bond issues

Company treasurers have been quick to take advantage of new instruments such as large denomination time *deposits*, money market certificates and other securities on which interest rate restrictions do not apply.

INSURANCE

Government to reject register for salesmen

BY ERIC SHORT

MR MICHAEL HOWARD, Minister for Corporate and Consumer Affairs, will today announce the Government's rejection of a proposed register of life assurance and unit trust salesmen.

So it will be back to the drawing board for the Marketing of Investments Board Organising Committee as it searches for a way to supervise the 100,000 full-time and 100,000 part-time salesmen in the life assurance and unit trust industry — a sales force that has an average annual turnover of about 25,000 people.

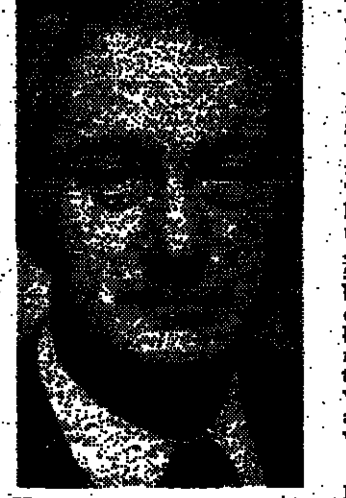
The Financial Services Bill has no provision for control of individuals involved in the investment field, whether marketing or management. The responsibility for the hiring, training and behaviour of employees and company representatives rests with the investment firms as a condition of being authorised.

However, there is provision in the bill to establish a black list of individuals found guilty of misconduct in their activities in the investment field.

Miboc, responsible for the marketing aspects of financial services, felt this proposal would not be sufficient to monitor life and unit trust salesmen.

Mr Mark Weinberg, its chairman, has pointed out that while putting responsibility on to the firm will work for, say, stockbrokers with manageable numbers of people concentrated in a few firms within certain areas, it is quite a different matter for life assurance.

The salesmen involved in life assurance—probably outnumbering all other individuals affected by the financial services legislation—are spread throughout the country in about 15,000 firms, most of which have just one or two persons. Mr Weinberg has advocated a system of individual control to supplement supervision of salesmen by the firm.



Mark Weinberg: against merely blacklisting salesmen

The first Miboc proposal, put forward nearly a year ago, envisaged a full licensing scheme. This would have a two-stage test of competence and salesmen would have to abide by a code of selling practice. No-one would be allowed to sell policies unless they held a licence.

There would be complaints and disciplinary procedures. A salesman found guilty would face being censured; the ultimate penalty being the surrender of his licence and hence the loss of the ability to sell.

There would be a blacklist of salesmen censured, which firms would have to consult before hiring a salesman.

This scheme was broadly accepted by the life assurance industry, particularly by the Life Insurance Association, a trade body of life salesmen, which proposed a licensing system a decade ago. But it was criticised by everyone else.

The criticism came from the banks and building societies as well as the Consumers' Association and the Office of Fair Trading. So, in December, Miboc produced a modified version of its ideas.

Under the revised proposals, salesmen would be registered after passing a competence test. They would still be subject to a code of selling practice. The register would contain a black list. No one could sell unless registered.

Even this proposal did not satisfy the opposition. The banks and building societies called the register an expensive bureaucratic nightmare and maintained that the authorisation procedures for firms provided sufficient protection. It appears their arguments have won the day.

So what does Miboc do now? There would appear to be little alternative but to redesign the rule book that would enable the central controlling body—the Securities and Investments Board—and the appropriate self-regulatory organisations to exercise tight control over the hiring, training and sales methods of firms involved.

Miboc is saying nothing until its proposals have been officially turned down.

Mrs Christine Leach, president of the LIA, said that if rejection occurs the association will go ahead with its original proposals for its own licensing system to be operative by the beginning of next year.

The views of many home service insurance companies were reflected in a statement last week by Mr Einion Holland, executive chairman of Pearl Assurance, who welcomed the Government's expected refusal of registration.

He preferred a company system of licensing to enable the public to identify trained salesmen of integrity, with the company accepting full responsibility.

Transport marketing company to close

BY JAMES McDONALD

TRANSPOTECH, a company established in 1983 by the British Technology Group to market products and expertise available from the Department of Transport, has decided it has no future.

The company, a wholly owned subsidiary of the group, is taking on no new work from the end of this month and will go out of business at the end of September.

The Transport Department said yesterday that the company had traded profitably but had decided it had a limited future.

Mr Peter Bottomley, Parliamentary Under Secretary of State for Transport said: "Transpotech has been a worthwhile experiment. I accept the company's commercial judgment that it should cease operations as soon as it has honoured its existing commitments."

Mr Bottomley said there would be no change in the Government's commitment to export efforts in the transport field.

Parliament this week

TODAY

Commons: Remaining stages of the National Health Service (Amendment) Bill. Resolutions relating to the Finance Bill.

Lords: Public Trustee and Administration of Funds Bill (third reading). Family Law Bill (committee). Doctored Services Bill (committee). British Shipbuilders (Borrowing Powers) Bill (committee). Consumer Safety (Amendment) Bill (second reading).

Select Committees: Public Accounts—Subject: Control of local authorities capital expenditure. Witness: Mr Terry Heiser, Department of the Environment (Room 16, 4.45 pm). Treasury and Civil Service. Witness: Mr A. Wilson, head of the Government Accountancy Service. (Room 15, 4.45 pm).

TOMORROW

Commons: Education Bill (second reading). Motion on the Appropriation (No. 2) (Northern Ireland) Order.

Lords: Airports Bill (report). Armed Forces Bill (report).

Select Committees: Private Bills — County of South Glamorgan (Taff Crossing) Bill (Room 5, 10.30 am); Docklands Railway (City Extensions) Bill (Room 6, 10.30 am); British Railways (No. 2) Bill (Room 19, 11.00 am).

WEDNESDAY

Commons: Motions on orders and regulations relating to the uprating of social security benefits, until about 7 pm. Progress on remaining stages of the Financial Services Bill. Latent Damage Bill (second reading). Crown Agents (Amendment) Bill (remaining stages).

Lords: Protection of Children (Tobacco) Bill (committee). Gas Bill (committee). Housing (Scotland) Bill (third reading).

Select Committees: Welsh Affairs—Subject: Beef Variable Premium. Witnesses: Welsh Office officials (Room 15, 10.30 am). Trade and Industry—Subject: Rolls-Royce monitoring inquiry. Witness: To be announced (Room 21, 10.45 am). Social Services—Subject: Public spending on social services. Witnesses: Mr Tony Newton, Social Security Minister and Mr Barney Hayhoe, Health Minister (Room 21, 4.15 pm). Transport—Subject: Financing of rail services. Witnesses: Transport Salaried Staffs Association; Dr P. Goodwin, Oxford University (Room 17, 4.15 pm). Environment—Subject: Historic Buildings and Ancient Monuments. Witnesses: British Tourist Authority and English Tourist Board (Room 20, 4.30 pm). Joint Committee —Consolidation Bills; Insolvency Bill and Company Directors' Disqualification Bill (Room 4, 4.45 pm). Committees on a private bills—British Railways (No. 2) Bill (Room 19, 10.30 am); County of South Glamorgan (Taff Crossing) (Room 5, 10.30 am). London Docklands Railway (City Extension) Bill (Room 6, 10.30 am).

THURSDAY

Commons: Completion of remaining stages of the Financial Services Bill. Motion on the Patronage (Benefices) Measure.

Lords: Horticultural Produce Bill (committee). Agriculture Bill (committee). Drug Trafficking Bill (third reading). Education Support Grants (Amendment) Regulations 1986 (motion for approval).

Select Committees: Agriculture — Subject: The effect of pesticides on human health. Witnesses: London Food Commission; for Food and Drink Federation (Room 16, 10.45 am). Committee on Private Bills—British Railways (No. 2) Bill (Room 19, 10.30 am); County of South Glamorgan (Taff Crossing) Bill (Room 5, 10.30 am); London Docklands Railway (City Extension) Bill (Room 6, 10.30 am).

FRIDAY

Commons: Debate on enterprise and deregulation on a motion for the adjournment of the House.

Lords: Public Order Bill (second reading). Motion for approval on a series of social security uprating orders.

FINANCIAL DIARY

TODAY

COMPANY MEETINGS—

[illegible]

Deelkraal Gold Mining
Doornfontein Gold Mining
Driefontein Consolidated
Kloof Gold Mining
Libanon Gold Mining
M & G Second Dual Trust
Pilkington Bros

[illegible]

Guardian Royal Exchange Assurance 7pc Ln 1986-91 3.5pc
Hambro Trust 2.1p
M & G Midland and General Trust Fund 7.9p
Mercantile House Variable Rate Ln Notes 1984-89 5.6593pc
New Zealand 7½pc 1983-86 3.75pc
Owens-Illinois 47.5 cts
Pacer Systems 2 cts
Pennzoil 55 cts
Banks Hovis, McDougall 7¼pcLn 1981-86 3.5625pc
St Lawrence and Ottawa Railway 4pc-Stlg-Bds 2pc
Singer 10 cts
TRW 75 cts
Treasury 8¼pc 1987-90 4.125pc
United Biscuits 7½pcDb 1981-86 3.75pc
8pcDb 1993-98 4pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Shop Equipment and Display Exhibition, including Point of Sale—SHOPEX INT (01-868 4499) (until June 12) — **Olympia**

June 11-21
Grosvenor House Antiques Fair (0799 26699) — **Grosvenor House, W1**

June 17-20
Advanced Manufacturing Technology Show MANUTECH (01-891 3426) — **Olympia**

June 23-26
Institute of Leisure and Amenity Management Conference and Exhibition (0491 873558) — **Harrogate**

June 24-26
Advanced Materials Conference and Exhibition (01-868 4466) — **Wembley Conference Centre**

June 25-27
Property and Construction Management Exhibition (01-995 8003) — **Barbican Centre**

July 1-5
International Production Engineering and Productivity Exhibition and Conference—PEP (01-891 5051) — **Olympia**

July 8-10
International Satellite and Cable TV Exhibition and Conference—CABLE (01-868 4466) — **Met. Exbn. Hall, Brighton**

Education, Training and Personnel Development Exhibition and Conference (01-637 2400) — **NEC Birmingham**

July 14-17
International Water Exhibition and Conference — WORLD WATER (0923 778311) — **Olympia**

July 15-17
Systems for the City Exhibition (01-868 4466) — **Barbican Centre**

July 16-18
PC User Show and Conference (01-608 1161) — **Olympia**

July 20-24
Gift Trade Fair (0282 867153) — **Harrogate Exhibition Centre**

July 24-27
Acorn Computer User Christmas Show (01-349 4667) — **Barbican Centre**

OVERSEAS TRADE FAIRS

June 10-13
International Banking and Finance Services and Technologies Exhibition — TECHNOBANK (0494 775444) — **Geneva**

June 11-15
International Wine Festival—VINOVA (01-977 4551) — **Vienna**

June 10-16
International Rubber and Plastics Exhibition (01-486 1951) — **Beijing**

June 24-28
Radio and TV Trade Fair (01-734 0543) — **Frankfurt**

July 7-11
International Powder Metallurgy Exhibition and Conference (01-493 3893) — **Dusseldorf**

August 20-23
Office Technology and Computer Exhibition (01-486 1951) — **Kuala Lumpur**

August 26-28
Finnish Fashion Fair (01-486 1951) — **Helsinki**

August 31-September 6
International Autumn Fair (01-240 7013) — **Leipzig**

September 17-24
International Engineering Fair (021-455 9600) — **Brno**

BUSINESS AND MANAGEMENT CONFERENCES

June 9-10
FT Conferences: World Electronics — Strategies for tomorrow's markets (01-621 1355) — **Hotel Inter-Continental, W1**

June 12
The Institute of Petroleum: Sources of information for the offshore industry (01-636 1004) — **New Cavendish Street, W1**

June 16
LSE: Energy supply options in a resource-full national economy —the case of the UK (01-405 7686) — **London, WC2**

June 18-19
FT Conference: World gold in 1986 (01-621 1355) — **Hotel Inter-Continental, W1**

June 18
Institute of Directors: UK companies — the revenue offensive (01-839 1233) — **116 Pall Mall, SW1**

June 18
RIPA: Government and the private sector (01-222 2248) — **London Business School, NW1**

June 18-20
1986 World Congress on Management Development (0234 48338) — **Royal Lancaster Hotel, W2**

June 24
FIBEX: Corporate restructuring —for better or worse? — **Hotel Inter-Continental, W1**

June 25
Dun & Bradstreet: How to handle letters of credit (01-377 4453) — **Holiday Inn, London**

July 2
The Industrial Society: We're making it happen — industry works for people (01-839 4300) — **The Royal Albert Hall**

July 2-3
International Business Communications: Tax aspects of international treasury management (01-236 4080) — **Cafe Royal, W1**

July 7-9
The Institute of Petroleum: Introduction to petroleum economics (01-636 1004) — **61 New Cavendish Street W1**

July 8-9
Crown Eagle: Defence contract management and negotiation (01-242 4111) — **The Tower Hotel, E1**

July 9-11
HS Conferences: Three days of theft, fraud and negligence (01-935 2382) — **Cafe Royal, W1**

July 10
The Royal Institute of International Affairs: China's seventh Five Year Plan: an assessment (01-930 2233) — **Chatham House, SW1**

July 18
Legal Studies and Services: Mergers and acquisitions — strategic tax and accounting issues (01-236 4080) — **Royal Lancaster Hotel, W2**

August 26-28
FT Conference: World aerospace to the end of the century (01-621 1355) — **Hotel Inter-Continental, W1**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

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Tenby Inds sees year of growth and progress

BY TERRY GARRETT

THE FULL prospectus is published this morning for the offer for sale of 10.56m shares in Tenby Industries, the UK electrical accessories and engineering businesses of BSR.

The troubled electrical goods manufacturing concern is disposing of a 60 per cent stake in Tenby at 113p a share valuing the group at £19.7m.

Tenby's activities can be broken down into two broad areas: electrical accessories trading under the Tenby name and a group of engineering companies; Bulpitt, Fraser & Glass, BKB and Cook.

The electrical side, manufacturing wiring accessories such as plugs, switches and sockets, is the group's largest contributor accounting for 44 per cent of 1985's turnover. Its profits contribution, however, sustained a severe blow last year when its pre-tax contribution slumped from £2.1m to just under £1.4m.

Tenby electrical was caught by a combination of price competition in the domestic market and a reduction in demand from the Middle East and Singapore at a time of exceptional capital expenditure and factory reorganisation.

The overseas market remains lower but a substantial export order has been landed and demand in the UK for Tenby's principal product, white plastic moulded accessories, has been strong to date. An improvement is predicted for the current year.

After years of losses, the engineering division just moved into the black in 1984 and last year produced a profit of £686,000 pre-tax towards an overall group total up from £2.33m to £2.48m pre-tax after a pensions holiday saving £214,000.

The outlook for the engineering subsidiaries in the current year remains mixed with Bulpitt, which is tied to the defence industry, achieving substantially higher numbers while BKB, which manufactures electric motors and generators, has experienced a disappointing start because of cutbacks by a major customer.

There is no profits forecast for the current year although the directors are predicting a year of "growth and progress."

At the issue price Tenby is floating on a historic p/e of 9 based on a 12 per cent tax charge (the group has £15m of tax losses) and a yield of 5 per cent. Net assets per share are put at 92.7p.

Morgan Grenfell and brokers Rowe and Pitman and Albert E. Sharp are handling the issue.

● comment

When management explains that the common theme for a group of companies is marketing philosophy then chances are they have precious little industrial fit. Such is Tenby but its shape has obviously been designed for the convenience of BSR which is basically parcelling up some extraneous subsidiaries that it has collected rather than investors. Something like Bulpitt looks an interesting—and fast growing—business but there is a mature operation or two within the group. But perhaps that could be said of most quoted companies. Anyway the market will probably concentrate its attention on Tenby, the dominant accessories activity which should provide a good, though not full, recovery pushing the group as a whole towards £3m pre-tax. Eventually the idea is to use quoted paper to expand the product range into fuse and switchgear by acquisition. If all this sounds on the dull side the pricing has been pitched realistically giving a couple of points away to Volex and more to sector leader MK. The issue should go well enough but buyers are not going to make their fortunes on day one.

Profits pass £7m mark at GT Management

By David Goodhart

The fund management group GT Management which is due for a stock market flotation later in the summer, has announced a pre-tax profit of £7.03m (£3.6m) on turnover higher at £26.06m (£22.6m) for the year ending March 31 1986.

The figures, released in its annual report, show rapid growth from the pre-tax profit of £1.38m on turnover of £6.86m recorded in 1982.

Mr Thomas Griffin, the chairman, said in the report that a public listing will facilitate the freer transfer of shares among an increasing number of shareholders. It would also place a proper market value on the company to the advantage of all shareholders, especially the Berry Trust, the founding shareholder, which has a 28 per cent stake.

In reviewing the year, he said that the flotation of a new unit trust in the UK, the GT Germany Fund, ranked as one of the year's most successful launches. He added that a further important move was the setting up of the GT Special Development Group to manage long-term enterprises.

Strata Invs.

At the end of its first seven months on April 30 1986 net asset value of Strata Investments was 126.7p or 124.3p assuming full conversion of warrants. Net revenue came out at £180,602 after tax of £103,643.

Earnings per share were 1.19p. There is no interim payment but directors expect to be able to recommend a dividend at the end of the year.

Bell/Morgan

The Bell Group and its associate Bell Resources, the Australian conglomerate controlled by Mr Robert Holmes a Court, has raised its stake in Morgan Crucible, the engineering and electronics group, to 13.1 per cent.

Woolworth chief accuses Dixons as bid battle continues

BY DAVID GOODHART

THE propaganda battle between Dixons Group and Woolworth continued over the weekend while most City observers await an increase in Dixons' bid this week from the current £1.5bn valuation to £1.8bn or £1.9bn.

Mr Geoff Mulcahy, Woolworth Holdings' chief executive, accuses Dixons, in a letter to shareholders, of trying to use their "over-valued share price" to buy Woolworth, and of proposing retail combinations which would seriously damage the prospects for both businesses.

He makes five main points:

● There are limited prospects for growth in Dixons' core market of high street electricals. The overall market is virtually static, and out-of-town operators have grown eight times faster than the high street since 1980. Woolworth's Comet subsidiary is the out-of-town market leader.

● Dixons' plans to replace Woolworth's Focus strategy with its own operation, Ramrod, "would disrupt relaying, remerchandising and refurbishment plans, and undermines staff morale and supplier confidence."

● Dixons would have to achieve 45 per cent of the electricals market overnight to avoid a drop in sales per square foot if it put Dixons and Currys stores into Woolworth's. Capital costs of the scheme would be huge.

● A poor share performance would be the likely result of the bid. All three recent major retail combinations have led to a poor share price performance.

● Over £10m of the expected £34m increase in Dixon's profit could be due purely to the run-off of benefits from the Currys acquisition.

Dixons also wrote to Woolworth shareholders yesterday stressing the dynamism of its recent growth. It states that in the year to April 26, 1986, sales at both Dixons and Currys were up about 27 per cent on the previous year.

Additionally, Dixons turnover for the year ending April 26, 1986, is expected to exceed £1bn. Dixons sales per square foot has grown by 14 per cent and Currys by 21 per cent.

English Trust granted full banking licence

THE English Trust Company has been granted a full banking licence by the Bank of England, Mr Richard Cox-Johnson, the chairman, said the group was pleased to have achieved this status, even though the distinction between a licensed deposit-taker and a bank is likely to be eliminated in forthcoming banking legislation. It would permit the group to expand its deposit base

The company's parent, the English Trust Group, which changed its name from the English Association Group last winter, is 29 per cent owned by E. D. and F. Mann, the commodity group. It has three main operating areas: treasury (including foreign exchange), corporate finance and investment management, which is conducted largely through its US subsidiary, Train Smith Counsel Inc.

Pearson denies bid rumour

VISCOUNT BLAKENHAM, the chairman of Pearson—the industrial, banking and publishing group which owns the Financial Times—yesterday discounted weekend rumours of a bid for the company.

"These latest comments are no more accurate than the many comments that have been made before," he said last night.

He categorically denied that any approach had been made to members of the Cowdray family—which owns about 20 per cent of Pearson. He also stressed that the latest available information on the Pearson share register showed that there was no other holding above 2 per cent.

COMPANY NEWS IN BRIEF

RAINE INDUSTRIES says further to its announcement on March 5 that talks were in progress with a view to a possible merger with a substantial private company engaged in building and contracting, the directors of Raine announce that the discussions are still continuing. Although they are unable to say at this stage whether these will be concluded satisfactorily, they hope to make a further announcement next month.

I. D. and S. RIVLIN HOLDINGS says discussions have reached an advanced stage for the purchase of two investment properties and one development opportunity from City Merchant Developers for a total consideration of £1.6m to be satisfied by the issue of 2,285,714 5p ordinary shares of Rivlin credited as fully paid at 70p per share. The investment properties have an aggregate market value of £1.4m, producing a current annual rental income of £117,000. The issue of the shares will result in CMD holding 29.2 per cent of the enlarged issued share capital of Rivlin.

BURGESS PRODUCTS (HOLDINGS) shareholders approved at an extraordinary general meeting the offer to acquire the issued share capital of Coin Industries.

The Council of the Stock Exchange has granted permission for admission to the Official List, subject to allotment, of the new Burgess ordinary shares of 25p each to be issued pursuant to the offer. The offer remains subject to the other conditions set out in the document dated May 21. The first closing date for acceptances is Wednesday.

LONGTON INDUSTRIAL Holdings has considered Thomson F Line's announcement of its intention to make an offer for the company. The approach is unsolicited and no previous discussions have taken place between the two companies. Longton's advisers will now hold discussions with Thomson's advisers. Longton's board advises shareholders to take no action in response to any communication received from Thomson.

FINANCIAL TIMES STOCK INDICES

	June 6	June 5	June 4	June 3	June 2	May 30	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.93	91.52	91.81	91.73	91.73	91.60	94.51	80.39	127.4	49.18
Fixed Interest.	97.06	96.88	96.94	96.94	96.93	96.89	97.51	86.56	150.4	50.53
Ordinary.	1336.9	1332.6	1320.6	1330.4	1316.4	1321.2	1425.9	1094.3	1425.9	49.4
Gold Mines	213.3	217.6	224.4	215.9	215.5	215.1	357.0	213.3	734.7	43.5
FT-Act All Share	794.30	793.90	789.31	789.80	787.18	788.92	832.39	664.42	832.39	61.92
FT-SE100	1611.9	1612.6	1601.4	1603.2	1596.5	1603.8	1717.6	1370.1	1717.6	986.9

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Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,485	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6	8.0	7.5
—	Ass. Brit. Ind. CULS	136	—	10.0	7.4	—	—
6,947	Airsprung Group	120	+10	6.4	5.3	20.0	26.1
725	Armitage & Rhodes ...	29	—	4.3	14.8	3.6	4.3
57,167	Bardon Hill	178	+5	4.0	2.2	22.5	23.4
3,916	Bray Technologies	71	+4	4.3	6.1	8.4	7.7
280	CCL Ordinary	80	—	12.0	15.0	2.0	1.9
1,163	CCL 11% Conv. Pref.	93	—	15.7	16.9	—	—
9,598	Carborundum Ord. ...	160	+10	9.1	5.7	7.7	7.9
644	Carborundum 7.5% Pf.	92	—	10.7	11.6	—	—
4,383	Deborah Services	56	—	7.0	12.5	5.6	7.7
3,323	Frederick Parker Group	23	—	—	—	—	—
2,030	George Blair	110	—	—	—	4.5	8.1
2,356	Ind. Precision Castings	58	—	3.0	5.2	15.3	12.8
12,587	Isis Group	158	+2	15.0	9.5	12.2	18.2
6,249	Jackson Group	120	+1	5.5	4.8	8.1	8.1
45,532	James Burrough	326	+2	15.0	4.6	10.3	10.3
3,457	James Burrough 9% Pf.	89	—	12.9	13.0	—	—
5,940	John Howard & Co....	57xd	—	5.0	8.8	—	—
45,795	Minihouse Holding NV	1,400	+100	8.7	0.6	46.3	54.9
8,740	Record Ridgway Ord.	380	+20	—	—	6.8	11.7
2,565	Record Ridgway 10pcPf	95	—	14.1	14.8	—	—
724	Robert Jenkins	71	+1	—	—	9.2	20.3
1,800	Scruttons "A"	30	—	—	—	—	7.7
1,782	Torday & Carlisle	73	+2	5.0	8.8	3.7	6.7
1,450	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
8,635	Unilock Holdings	55	+1	2.1	3.8	14.9	14.6
21,808	Walter Alexander	169	+1	8.6	5.1	9.5	11.7
4,434	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
150	F.P.	30/6	151	138	Alumasc Group	145	+7	R5.85	2.5	5.7	10.0
§130	F.P.	13/6	136	120	‡Mattler 5p	120	...	u3.0	2.4	3.5	17.0
115	F.P.	11/7	170	155	Arlington Sec. 10p	162	+2	b1.7	4.3	1.5	22.2
150	F.P.	20/6	161	150	Barker (Charles) 5p	159	...	u3.0	3.1	2.8	16.7
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	61	+2	bd2.82	2.1	6.5	8.5
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	153	...	b2.3	2.9	2.1	23.0
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	131	−1	L1.35	3.9	1.5	18.9
107	F.P.	27/6	131	113	Dalepak Foods 5p	125	...	R2.3	3.2	2.6	17.0
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	212	...	u3.4	2.7	2.3	22.8
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62	...	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	135	‡Debtor 10p	135	...	u4.0	2.7	4.2	12.7
§39	F.P.	—	40	37	‡Eadie	39	...	R1.75	2.8	6.3	9.4
120	F.P.	—	115	113	Evans Halshaw	113	−2	u3.38	3.1	7.2	7.4
140	F.P.	4/7	130	125	‡Fields(Mrs)Inc$0.05	125	...	RQ4.5c	2.6	2.5	15.8
—	—	—	35	27	German Secs. Warrts	32	...	—	—	—	—
§120	F.P.	18/6	130	121	‡Green (E) & Part 5p	127	...	R3.4	2.7	3.8	13.7
140	F.P.	20/6	150	145	Haggas (John) 10p	145	...	u3.0	3.2	2.9	15.0
120	F.P.	30/5	130	113	Ipeco Hldgs 10p	113	−1	u2.7	3.3	3.4	12.9
104	F.P.	—	118	90	Jurys Hotel	92	...	u3.75	2.1	5.7	10.2
180	F.P.	23/5	187	137	Lee International 10p	140	+1	R3.8	2.9	3.8	12.8
§70	F.P.	14/5	93	80	‡Lodge Care	82	...	u2.0	2.4	3.4	17.1
‡‡	F.P.	—	62	49	Merlin Int'l Props	58	−2	u0.58	2.0	1.4	43.0
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	155	...	R4.4	1.6	4.0	15.4
§105	F.P.	6/6	133	112	‡Musterlin 20p	127	...	u3.0	2.8	3.3	12.2
165	F.P.	18/6	190	170	P-E International 10p	188	...	1.8	3.4	1.3	30.3
§100	F.P.	27/6	105	104	‡Savage Group 20p	104	...	R3.0	2.5	4.1	13.8
**	F.P.	6/6	700	530	Schroders £1 N/V	590	+30	b10.75	—	2.6	—
§72	F.P.	13/6	74	70	‡Splash Prods. 10p	70	...	u3.27	1.6	6.6	13.6
§140	F.P.	6/6	141	118	Tech. Prods. Ser. 10p	118	...	u2.49	3.2	3.0	14.9
160	F.P.	6/6	185	172	Tip Top 10p	173	...	R2.0	3.7	1.6	23.3
§100	F.P.	23/6	102	94	‡Usher (Frank) 5p	94	...	u4.5	1.9	6.7	11.2
145	F.P.	20/6	158	150	Westbury 10p	156	...	R4.1	3.1	3.7	12.4
§110	F.P.	26/6	142	123	Worcester 10p	142	...	u3.91	2.2	3.9	24.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
99.999	F.P.	11/7	102¼	99	ASDA Props. 10⅜% 1st. Mt. Deb. 2011	100	...
§99.50	£10	—	9	9	Bristol Water 9.8% Red Deb '96	9	...
§99.256	£30	29/8	29½	29	Brit. Alcan Aluminium 10½% Deb. 2011	29½	+½
¶¶	F.P.	—	99½	99	Brit. Emp. Secs. 10⅝% Deb. 2011	99½	+¼
§94.203	£25	—	25¼	25¼	Brixton Est. 9.5% 1st Mort Deb 2026	25¼	—
100	£10	14/8	10¼	9½	Cambridge Water 10% Red Deb '96-98	9½	½
109.89	£40	29/8	40	39¼	Estates & Gen. 11¼% 1st Deb. 2018	39¾	+½
97.963	£25	24/10	25⅛	22⅞	Gt. Portland 9½% 1st. Mort. Deb. 2016	23	+¼
105.523	£25	21/8	26	22½	Land Securities 10% 1st. Mort. Deb.25	22⅞	+½
§99.951	£40	14/7	42	38¼	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	38¼	−¼
§99.793	£25	24/9	24⅝	22⅞	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	23⅛	+½
100	£10	14/8	10¼	9½	Mid Southern Water 10% Red Deb '95-98	9½	...
—	F.P.	—	100⅛	99	Nationwide Bld Soc 9⅞% 1/5/87	100⅛	+¼
§99.623	£40	30/6	41¼	37⅞	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	37⅞	+¼
§87.179	£30	26/9	30⅞	29⅞	Portugal 9% Ln. 2016	30⅜	+⅜
§99.888	£40	1/8	44	41	Queens Moat 10¼% 1st. Mort. Deb. 2020	41¼	+¼
§97.749	F.P.	11/7	98	97¼	Scot. Nat. Trust 10% Deb. 2011	97¼	+½
§99.480	£25	18/7	31¼	24¾	S.E. 10⅞% Mort. Deb. 2016	26⅝	+¼
§99.50	£10	—	9	9	Sund. & S. Shields Wtr 9.8% Rd Db '96	9	...
99.073	£25	8/8	25¼	24½	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	24½	...
£100	£50	12/9	50¼	48⅞	Witan Inv. 8½% Deb 2016	49⅞	+¼
§100	£10	14/8	10¼	9½	York Water 10% Red. Deb. 1996/98	9½	—

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
355	Nil	18/7	55pm	50pm	Berkeley Group	50pm	...
110	Nil	11/7	29pm	22pm	Britannia Arrow	29pm	...
310	F.P.	25/6	356	349	Burmah £1	356	+2
200	Nil	4/7	175pm	150pm	Cater Allen £1	150pm	...
316	Nil	4/7	20pm	14pm	Crean (J.)	20pm	...
30	Nil	18/7	9pm	4pm	Feedex Agricultural 10p	9pm	+5
300	Nil	—	45pm	38pm	Gerrard & Natl.	42pm	−1
225	Nil	11/7	32pm	11pm	Harris Queensway 20p	16pm	+2
125	F.P.	4/7	192	134	Hestair	190	...
235	Nil	—	28pm	20pm	Lep. Group 2p	20pm	−2
235	Nil	—	27pm	18pm	McCarthy & Stone 20p	18pm	−5
56	Nil	7/7	15pm	8pm	Micro Bus. Systems 5p	15pm	+5
45	Nil	11/7	50pm	43pm	Molyns 20p	48pm	...
2	Nil	15/7	¼pm	¼pm	‡Property Trust 'A' 1p	¼pm	−¼
600	Nil	22/7	190pm	155pm	Prudential Corp	165pm	+5
113	F.P.	27/6	156	144	Raines 10p	145	+1
275	Nil	3/7	55pm	35pm	Robertson (Thos.)	35pm	...
½	Nil	11/7	2¼pm	1½pm	Rotaprint ½p	2pm	...

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♦ Dealt in under 535 (4) (a) †† Official London listing.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Colloids	June 27	Final 1.6	IC Gas	June 27	Final 9.25
*Amersham Intl	June 16	Final 3.8	Intnl Leisure	July 9	Final due
*Argyll Group	June 24	Final 4.15	Intl Signal	June 13	Final 1.5cts
Assoc Newspapers	July 9	Interim 5.5	London Intl	June 20	Final 2.6
*Avana	June 23	Final 6.75	*Lond Scottish Finance	June 16	Interim 0.9
*BPB Inds	June 25	Final 4.6	Magnet & Southerns	July 10	Final 2.7
BTP	June 18	Final 2.3	*Metal Box	June 10	Final 11.15
*Beecham	June 12	Final 6.2	Mercury Secs	June 25	Final 16.0
British Land	June 20	Final 1.75	*Meyer Intl	June 17	Final 3.45
*British Telecom	June 19	Final 3.9	*Mitchell Somers	June 19	Final 1.75
Britoil	July 12	Interim 3.3	*Northern Foods	July 1	Final 3
*Cable and Wireless	June 25	Final 4.9	*Pilkington	June 11	Sec Int 7.5
*Cape Industs	June 17	Final nil	*Racal Electronics	June 23	Final 2.268
Centrovincial Estates	June 18	Final 3.0	Rank Organisation	July 11	Interim 5.5
Daily Mail & Gen Tst	July 8	Interim 15.5	Rothschild (J)	July 1	Final 1.2
*Dawson Intl	June 19	Final 5.6	*Scottish and Newcastle	July 1	Final 4.19
*EMAP	June 16	Final 2.08	*600 Group	June 12	Final 3.16
*Electrocomponents	June 10	Final 3.65	*Staveley Inds	June 12	Final 11.0
*Electronic Rentals	July 7	Final 2.065	Thorn EMI	July 5	Final 12.5
Ferranti	June 25	Final 1.04	Trusthouse Forte	June 27	Interim 1.27
*Finlay (J)	June 12	Final 2.15	*Unigate	June 16	Final 5.2
Fitch Lovell	June 20	Final 6.7	Union Discount	June 17	Interim 11.0
GEC	July 2	Final 2.65	*Valor	June 11	Final due
*GEI	June 17	Final 3.91	Vantona Viyella	July 10	Interim 4.0
Granada	July 11	Interim 2.53	Whitecroft	June 26	Final 5.4
*Gt Portland Estates	June 10	Final 5.0			
*Hazlewood Foods	June 16	Final 11.429			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Continuous Stationery falls deeper into red at £0.13m

STATIC SALES and a competitive reduction in margins of about 2 per cent are stated as the main reasons for the continued lack of profitability at **Continuous Stationery.**

For the year to end-March 1986 the company, a computer stationery printer, suffered increased pre-tax losses of £132,000 against £51,000. Turnover rose slightly from £4.01m to £4.1m.

As an indication of their faith in the future and in the light of a healthy balance sheet, the directors, who are waiving their rights to the dividend, are recommending a final payment of 0.45p, making a 0.9p total for the year. Last year's total was 1.75p. Losses per 10p share this time increased to 1.88p (0.59p), after a tax credit of £38,000 (£21,000).

Referring to the sound balance sheet, Mr W. H. Eastwood, the new chairman, says that at the year end the company had no borrowings, and since then it has maintained a positive cash position.

Although the sales and investment policy in relation to the existing business can be expected to expand the company, in order to secure a viable position in the market, the directors will also be giving serious consideration to acquisitions, he states.

Following a review of existing activities, the company has closed its retail shop in Whitechapel Road, London, and is to sell the freehold.

The directors have also decided to give increasing emphasis to the printing of short-run and carrier stationery.

A resolution will be proposed at the annual meeting to increase the authorised share capital from £600,000 to £650,000. The adoption of a share option scheme as an incentive to senior management will also be proposed.

In April when the chairman, Mr G. C. Lansdown, retired the majority of the family shareholding, amounting to about 60 per cent of the issued share capital, was sold to about 60 new investors, two of whom have become involved in the full-time management of the company.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Bradstock, Durban Roodepoort Deep, East Rand Proprietary Mines.

Finals—Blyvooruitzicht Gold Mining, British Benzol, Dominion International, F. and C. Alliance Investment Trust, Osborne and Little, PWS International, Property and Reversionary Investments, Property Holding and Investment Trust, Sangers Photographics, Southwest Resources, Standard Fireworks, Western Motor.

FUTURE DATES

Interims—

Countryside Properties	June 17
Guinness	June 16
Lookers	June 18

Finals—

Amber Industrial	June 12
Caledonia Investments	June 12
GEI International	June 17
Hazlewood Foods	June 16
Lancs	June 16
Scapa	June 19
Staveley Industries	June 12

Barton doubled to £1.85m

Barton Group, the holding company with interests in foundry and engineering work which is a member of Caparo Group, saw pre-tax profits doubled in 1985. On turnover down from £49.01m to £47.77m taxable profit came out at £1.85m against £919,000.

With tax higher at £583,000 (£237,000) and extraordinary debits of £105,000 (£342,000)—being mainly redundancy costs—earnings per share came out at 10.03p (2.77p).

Directors say the improvement in profit reflects improved efficiency and some recovery in the market. Further growth can be expected in the present year.

F.T. Share Information

The following securities have been added to the Share Information Services:

Asia Oil & Minerals (Section: Mines — Australians), **Green (Ernest) & Partners Holdings** (Industrials), **RJR Nabisco** (Americans).

Contracts and Tenders

Company Notices

US PERSONAL COMPUTER MARKET

Foreign clones spark a mid-life crisis

An American industry is growing old ungracefully, reports Louise Kehoe

APPLE COMPUTER is 10 years old. It is five years since IBM entered the US personal computer market, and Lotus 1-2-3 has been around for four years. Already, the personal computer industry is maturing, but like other formerly high-growth, high-tech businesses, it is not growing old gracefully.

The excitement and glamour of the early days of personal computing have faded, along with soaring sales growth. The US personal computer boom is over. What remains is an industry that sells "commodity" products to a largely predefined market, two-thirds of which is now reckoned to be replacement business.

Sales growth has ground to a *halt. Last year sales were* flat at about $15bn. This year, for the first time, sales have declined. According to Infocorp, an industry research *group, in March retail* sales fell 15 per cent in volume and 25 per cent in value compared to a year ago.

While demand for personal *computers — from businesses* and individuals — is holding up, personal computer prices are falling fast.

This is not so much a personal computer *slump as a personal* computer industry profit slump, says Ken Water, president of Computerland, the largest US computer retailer with 600 franchised stores in the US and 200 abroad.

So far this year, prices have fallen 20 per cent on average. Some expect the decline will be 40 per cent by the end of the year.

IBM, the leading US personal computer maker, cut the prices of its most popular models by 15 to 25 per cent last month. Since then, many of IBM's competitors have retaliated with matching price cuts.

The fall in prices has been accelerated by an indux of cheap IBM-compatible PC "clones" from the Far East. These machines, made in Korea, Taiwan, Hong Kong, and Singapore, mimic the features of IBM's personal computers and can use the same software.

Leading Edge, which sells clones made in Korea, has won about 5 per cent of the US retail personal computer market in less than a year. Its version of a basic IBM-like PC costs $500 less than the original. Zenith and Tandy, Epson of Japan have also successfully sold clone PCs.

After this month Computerland is expected to launch another own-brand Korean-made clone, significantly increasing the distribution of clones in the US.

Even cheaper than brand-name clones are the "generics" or no-name computers. These are either imported from the Far East and sold through mail order, or assembled in the US by a growing band of garage-style operations. Prices start at under $500.

"Price is now the major issue—price and compatibility—that is what counts," says Ken Water.

Robert Dilworth, president of Zenith Data Systems, a division of the consumer electronics company which has recently won multi-million dollar contracts to supply IBM-compatible personal computers to the US military and the US internal *revenue service, agrees:* "The personal computer has become a commodity product, like radios, televisions and video cassette recorders."

He chides computer makers who still try to sell the "bells and whistles" or technical features of personal computers. "We have to learn how to *market our products the way* Procter & Gamble markets soap or toothpaste," he says.

The sharp drop in prices has put the basic IBM personal computer, and its clones, within reach of the home computer market. The IBM-compatible machine is expected to become a popular consumer item by next Christmas. These machines represent a threat to Apple Computer which dominates the home market.

IBM and Compaq, which sells higher priced IBM-compatible machines, still dominate the corporate personal computer market, but they are challenged by a rash of high performance clones which undercut IBM's top of the line "PC AT" computer.

In March, sales of compatible computers outsold IBM for the first time. IBM's share of the US market has declined from about 65 per cent at the beginning of 1985 to 45 per cent, market researchers say. IBM will not comment on its market share and says its sales remain strong.

IBM is not flattered by its imitators. Last month William Lowe, president of IBM entry-systems division, warned clone makers that they will "have to move very quickly indeed to remain compatible" with IBM's personal computers. By speeding up introduction of technical improvements to its personal computers, such as high resolution graphics or network communications capabilities, IBM aims to leave competitors behind.

It will, however, be difficult for IBM to change its personal computers enough to throw clone makers off track because its personal computers are built upon widely available standard parts — Intel microprocessors and a computer operating system published by Microsoft. This combination has become an industry standard that is all too easy to copy.

"IBM can only turn a few *degrees at a time," says Egil* Juliussen chairman of Future Computing, an industry analysis company. "They can make it rougher for competitors," he says. "But they cannot move away from the industry standard."

Michael Ares of Chips and Technologies, a Silicon Valley company that sells sets of chips to clone makers adds: "It took two years for clones of the original PC and PC XT models to appear, but only nine months before clone makers copied the PC AT. The competitive pace is quickening."

Compaq, the leading IBM-compatible manufacturer, will beat IBM to the market with a personal computer built around Intel's latest microprocessor, the 386, he predicts. "The days when IBM owns the personal computer business are over."

Such bold assertions may be unwise. Picking a fight with the world's biggest computer company can lead to defeat—as many computer companies can testify. IBM will retain a controlling share of the personal computer market, industry veterans believe, although it is unclear yet exactly how the company will assert itself.

IBM's chief weapon, however, will be automation. The IBM PC convertible a "lap top" portable unit introduced in the US last month, is to be manufactured on a robot-driven production line in Austin, Texas. *Every step of the manufacturing process is automated, from* receiving dock to shipping dock. IBM is expected to apply its advanced manufacturing technology to all future PC products.

An even more serious problem for IBM and other US computer manufacturers is the *poor financial condition of the* retailers that sell close to 70 per cent of PCs in the US. 1985 was a terrible year for computer retailers. Evidence of *their financial distress* can be seen on the high streets and in shopping malls throughout the US. Personal computer stores have been going out of business *by the dozen.*

Leading manufacturers are agreed that there are too many computer stores chasing too few buyers, IBM placed a moratorium on signing up new dealers last November. Compaq has been limiting its new dealerships for over a year, and Apple Computer took the unprecedented step of firing *600* of its dealers in March.

Still, the surfeit of computer stores that sprung up during the PC boom remains and consolidation continues.

Some small store chains have been bought up by larger companies. But only the lucky retailers have an opportunity to sell out.

"My guess is that consolidation will take the form of stores going out of business, rather than stores being bought," *says Will Luden, president of Pactel Infosystems,* the California Phone Company's retail computer and office systems marketing venture.

Severe competition among the 4,000 odd computer stores has led to fierce discounting of personal computer prices, leaving profit margins shaved dangerously thin.

Says Ken Water: "We have been our own worst enemy. A different industry might have chosen to compete on quality, or service, but this industry has chosen to fight it out on price."

Many are trying to transform *themselves from "box pushers"* into "solution sellers" who offer customers training, support and a repair service—the "value added" in computer *sales—as a way to increase* profits.

But even quality dealers face a significant challenge in resolving the gulf between the full-service, *full-price, philosophy* and the reality of winning business on price, says William F. Zackmann, vice president of International Data Corporation, a market research company.

Ultimately, *retailers* look to the manufacturers for a solution. What is needed, they say, is new technology that can expand the PC market. Ed Faber, chairman of Computerland and an industry veteran, looks forward to a new golden age in personal computing when the home computer market, which to date has made several false starts, will finally blossom.

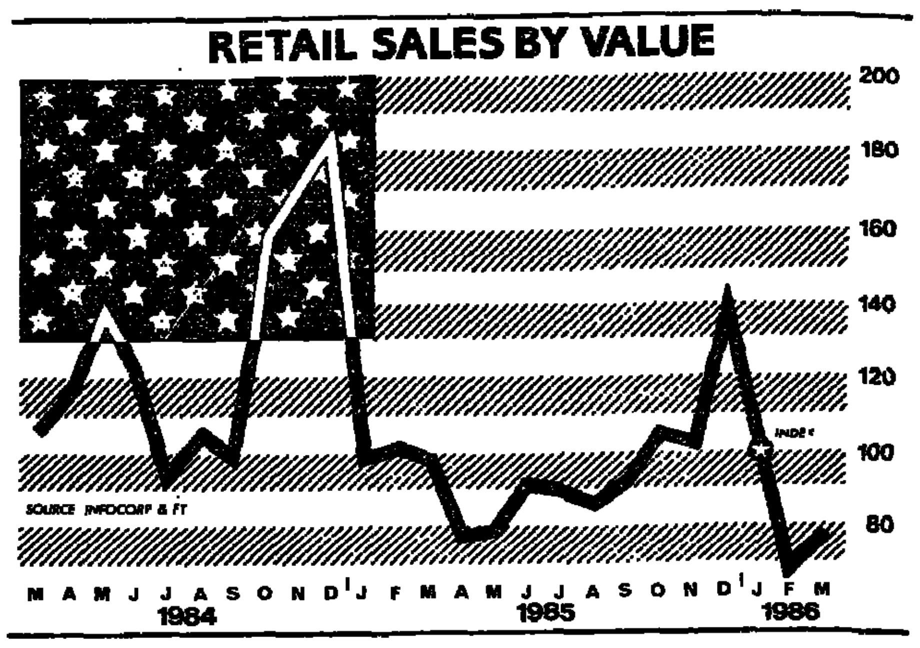
He predicts a home computer boom by the end of the decade *that will overshadow today's* problems. "And I am not talking about 25 per cent growth. I mean several hundred-fold growth," he enthuses. It will take new home computer applications to create such a boom, he believes. "I want to be around when it happens."

In the business area, the in*tegration of personal computers* into computer networks will create a major new growth market, IBM promises. Although only about 10 per cent *of personal computers are con*nected to networks today, corporate users are ready, IBM believes, to expand greatly the usefulness of personal computers by *tieing them together.*

Yet few of today's computer retailers have the know-how to instal and service such systems and event those who are willing to learn face a significant challenge.

IBM differs from many other manufacturers and retailers in believing the personal computer market is still driven by technology. But while it is becoming clear that technology may be able to push the personal computer to new heights and create huge new markets in the future, the current US personal computer market has reached a plateau. Many talk of a maturing market. It might be more accurate to call it a mid life crisis.

RETAIL SALES BY VALUE



Sixth sense that helped Daewoo muscle in on IBM's market

Steven Butler on the challenge from Korea

THERE IS little surprise that a best-selling IBM clone *personal computer is made in* Korea. The surprise is that a Korean company, Daewoo Telecom, designed and engineered the machine, which is *now sold in the US as the* Leading Edge "Model D."

Korean electronics companies have excelled at low cost manufacturing, but they have not established a reputation for design innovation.

Sales of the computer began to take off last autumn after Consumer Reports magazine dubbed it a "best buy." Consumers are now taking them off store shelves faster than Leading Edge can supply them. Daewoo does not like to talk about exact sale figures, but Dataquest, the research company, estimated 1985 sales at 50,000 units, and predicts 80,000 units this year. Daewood says that is conservative.

"The reason why the computer was well accepted in market is not necessarily because we produced any breakthrough in technology," says Mr Sung Kyou Park, executive vice-president of Daewoo Telecom. "We started purely from the market."

The idea for the computer came in early 1984, when sales of personal computers in the US sagged badly. "My belief was that the growth (of PC sales) had slowed because new computers were not really new. Users of computers were becoming more and more educated about computers and knew what they wanted."

The main concept behind the computer was simple—to put into a standard package features that users of IBM PCs and IBM clones were frequently paying hundreds of dollars to add on to their machines. Daewoo built into high resolution graphics capability. In most computers these are availale only by inserting expensive circuit boards into expansion slots in the computer.

Mr Park compares the packaging of features to the merging of several small com*panies, after which overhead* costs can be reduced by management redundancies. By combining the features, the number of components goes down, with more packaged into the mother board, or main circuit board. Manufacturing economies then can be achieved, and extra distribution costs eliminated, substantially bringing down the final price.

The Model D retails for $1495 in the US compared with $2785 for the IBM PC without the expansion boards. Daewoo has easily undercut the competing IBM clones as well, helped along by design improvements as well as Korea's low wage costs.

Mr Park says that Daewoo's relatively small size helped give the company enough flexibility to absorb new technology as it became available. Daewoo began the *design process* intending to use 64 kilobyte dynamic access memory chips, as IBM does in its PCs. Halfway through it became apparent *that 256K dram chips would* be available at sufficient volume at a low price, and that made it possible to reduce the size of the circuit boards.

Daewoo listened to the widespread criticism of the IBM keyboard and put in oversized return and other keys. Leading Edge provided advice on the keyboard nearly a year after the computer's design began, and Daewoo was able to respond.

It is difficult to change things in a large outfit like IBM," says Mr Park. IBM has redesigned the keyboard for its new AT computer but *hasn't changed the* keyboard for the original C.

The computer is not the result *of any sophisticated* study of the market. Mr Park *went to the US ten times* himself and spent some of his time talking with computer dealers. "Once you get inside something, and go very *deeply into it, you develop* a sixth sense," he says.

Memory capacity is expanded from the standard 256K to 640K by inserting two small memory chips into the mother board instead of adding on whole circuit boards into expansion slots. That leaves the four expansion slots available to accept a variety of accessory boards.

The result is a machine that does nothing an IBM PC cannot do, but it does it for far less money, using newer technology, *in a creatively re*designed package that has won positive reviews in the specialist press.

Mr Park admits that the Daewoo *machine* has succeeded in part because of the changes among computer buyers. Computers have become more of a commodity product, *with brand loyalty* less important than features and cost. While that helped Daewoo make a name quickly, it could push it out of the market just as fast.

Mr Park does not think that will happen to the Model D for a few years, but he is not taking any chances. Daewoo has another computer that has now gone through the development stage. Mr Park says the company has not decided when to start production, and he's saying nothing about what the machine will look like.

INTL. APPOINTMENTS

New chief executive for American Home Products

BY WILLIAM HALL IN NEW YORK

MR JOHN F. STAFFORD, aged 48, is to take over on December 1 as chairman and chief executive of the New York-based American Home Products, which has increased its earnings every year for the last 33 years, and is regarded by Wall Street analysts as one of the most successful pharmaceutical and consumer products groups in the world.

Mr Stafford, who has been groomed for the job ever since he took over as president in 1981, succeeds Mr John W. Culligan, aged 69, who has headed the company since 1981 and will stay on the board as chairman of the executive committee. Mr Stafford, who joined the company in 1970 as general counsel, is known as a strong administrator and is expected to be more acquisition-minded than his predecessor.

The 60-year-old company is renowned for being a cost conscious marketer of hundreds of consumer products which range from prescription hypertension drugs such as Inderal to painkillers like Anacin and household products like Brach's candy and Easy-Off oven cleaner. Last year the company earned $717.1m on sales of $4.7bn and the company's return on shareholders' equity has averaged 30 per cent over the last two decades. Ten years ago the group earned $250.7m on sales of $2.2bn, and it is currently capitalised at $12.7bn on Wall Street.

The company spent a record $217m on research and development last year and has 24 new drug applications and 48 investigative new drug applications filed with the Food and Drug Administration.

Mr Stafford is a lawyer by training and spent his early career with the Washington law firm of Steptoe & Johnson before joining Hoffman-La Roche's legal staff in the mid-1960's. In 1970 he joined American Home Products.

Morton Thiokol re-instatements

BY PAUL TAYLOR IN NEW YORK

MORTON THIOKOL, the Chicago-based aerospace group involved in the Challenger spacecraft which exploded in January, has re-instated to their old jobs two engineers earlier transferred after giving critical testimony before the Presidential Commission investigating the accident.

Mr Allan McDonald, the senior Thiokol engineer who most actively opposed the launch decision because of his concerns about the effect of cold weather on the booster rocket seals, and Mr Roger Boisjoly, a staff engineer, were restored to their previous jobs in the space division.

The company said Mr McDonald is also to be a director of the company task force charged with re-designing, testing and qualification of future booster rockets, and Mr Boisjoly is also to work on re-designing the seals.

Both Mr McDonald and Mr Boisjoly testified before the Presidential Commission, the report of which is to be published today, that there were serious problems with the rocket seals and that they urged a postponement of the fatal January 28 Challenger launch. They were, however, over-ruled.

The two engineers also claimed later that Thiokol had penalised them by transferring their jobs after their public testimony—Mr William Rogers, chairman of the commission, termed that revelation "shocking" although Thiokol sharply denied the allegation. The two engineers will now play a key role in working to redesign the booster rockets.

Morton Thiokol has also re-shuffled space division managers involved in the launch decision.

Two officials who over-ruled the engineers' recommendations against the shuttle launch were re-assigned, and a third manager involved in the launch decision retired. The three are Mr Jerry Kilminster, vice-president of the group's space booster programme, who signed the launch authorisation overruling his staff engineers; Mr Calvin Wiggins, vice-president and assistant general manager of the Wasatch space division; and Mr Jeral Mason, senior vice-president of operations in the division who is taking early retirement.

Mr Carver Kennedy Thiokol, vice-president in charge of space operations at Kennedy Space Center, Cape Canaveral, Florida, will succeed Mr Kilminster. Successors were not named for Mr Wiggins and Mr Mason's jobs. A fourth senior executive, Mr Robert Lund, involved in the launch decision, will retain his job as vice-president engineering. His responsibilities were reduced in March.

Crawford takes top job at Imasco

BY ROBERT GIBBENS IN MONTREAL

MR PURDY CRAWFORD, 54, a former Toronto corporation lawyer, appointed president and chief operating officer of Imasco, the consumer products group, in July, 1984, is to take over as chief executive on July 1 from Mr Paul Pare.

Mr Pare, main architect of Imasco's transformation from a tobacco products manufacturer into a diversified consumer products group with the resources to take over Genstar Corporation, the financial services building materials and real estate concern, for C$2.6bn (US$1.9bn) this spring, will continue as chairman until he retires next spring at 65.

BAT Industries of the UK holds 44 per cent of Imasco, but it will not take up stock in a current equity issue by Imasco and its interest will fall to just over 40 per cent.

Mr Crawford has been a director of Imasco for more than a decade and a member of the executive committee for seven years. He has been a major contributor to its diversification policy. Born in Nova Scotia, he hold degrees from Dalhousie University and Harvard and was senior partner in the Toronto law firm of Osler, Hoskin and Harcourt before moving to Montreal in 1984.

Mr Pare, a lawyer by training and a specialist in marketing, joined Imasco when it was Imperial Tobacco Company of Canada, and steered it to the leading place in the Canadian tobacco products market, and major diversification into drug-store retailing in Canada and the US and fastfood retailing in the US through Hardee's food systems.

The company has kept up annual growth in earnings of 20 per cent and its fourth leg is now financial services through Canada Trust, Canada's seventh-largest financial institution. Canada Trust will be the only part of Genstar that Imasco will retain, and its building materials, waste management and real estate assets will shortly be sold.

Kyowa Bank plans changed leadership roles

KYOWA BANK, the Tokyo-based commercial bank, plans to promote Mr Kosuke Yokote, 55, vice president, to president, in succession to Mr Tetsuo Yamanaka, reports Kyodo. A formal decision is expected at a board meeting after a general meeting of stockholders on June 27.

Mr Yamanaka is proposed as chairman, and the current chairman, Mr Yoshiaki Irobe, 74, as an adviser.

Mr Yokote joined the bank in 1953 and has been vice president since last June.

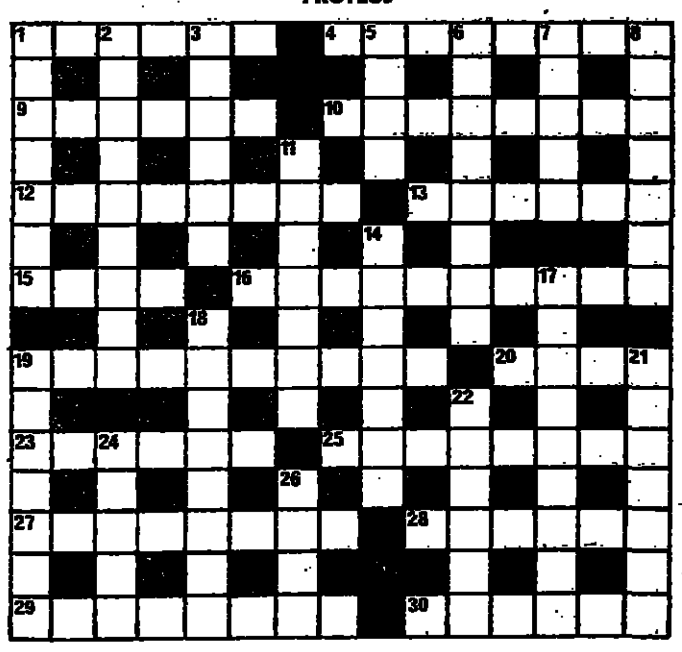
* * *

MR EISHIRO SAITO, chairman of Nippon Steel Corporation, has been elected President of Japan's Federation of Economic Organisations (Keidanren), reports Kyodo from Tokyo.

Mr Saito, 74, who has been a vice president of Keidanren since 1980, takes over from Mr Yoshihiro Inayama, who held the post for three consecutive terms over a six-year period.

F.T. CROSSWORD PUZZLE No. 6,042

PROTEUS



ACROSS

1 Ambassador for example entering behind schedule (6)
4 Most mean to be superlatively drunk (8)
9 Fearing a strong attack (6)
10 He will excuse one for having finished with fish-round (8)
12 That which is given to actor in love perhaps (8)
13 Taken all round some prefer it neat (6)
15 Cross over entrance (4)
16 Object to worker's religious persuasion (10)
19 Would rather males took first promotion (10)
20 Tree to be seen in Canada certainly (4)
23 Spotted southern bird in journalist's clutch (6)
25 Beaten and covered with sticky paste (8)
27 Source of trouble in washing machine? (8)
28 Dickensian often heard on commercial television (6)
29 Have meal in lane whilst begging (8)
30 In the case of Stevenson, the night before the high jinks (6)

DOWN

1 Club chief has a point (7)
2 Soldier managed to put donation on chandelier (9)
3 Distorts yarns (6)
5 Claim amount in part from Mohammedan leader (4)
6 This done perhaps he puts pleasure first (8)
7 Weariness due to some unforeseen nuisance (5)
8 Stream of rubbish about hire-charge (7)
11 Try turning outside concerts into organised massacres (7)
14 Note rejected by Scot—one of the old school? (7)
17 Have discussion about Christian love with leading villain (4, 5)
18 Banish soldier-deputy (8)
19 Quietly refer to churchman (7)
21 Put right or get changed (7)
22 Way to open fire in contest (6)
24 Indicate that which is relevant (5)
26 He usually invites quite a crowd (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Lead changes at Clark Equipment

By Our Financial Staff

CLARK EQUIPMENT Company, the South Bend, Indiana-based concern that includes being the leading US manufacturer of forklift trucks in its construction equipment and other business, has elected Mr Leo J. McKernan, 48, chief executive on the resignation from this post and that of chairman of Mr James R. Rinehart, 55.

Mr McKernan remains president, a post he took up in February alongside the chief operating officer's role he assumed in 1984. The office of chairman is put aside, in what the company describes as "further simplification of the management structure." The chief executive is to preside over meetings of the board.

● Clark has more lately announced an agreement to manufacture its main line of small and medium-sized trucks at Samsun, the South Korean industrial concern—implementing a decision to move some production abroad struck a few months ago.

Australia Wool Council

MR HUGH BEGGS has been elected president of the Wool Council of Australia. Mr Beggs, 47, succeeds Mr Neville Gorman, who has retired on health grounds.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Majors	70.6	75.5	-0.3	1.12
Amer Tech & Gen Fd	104.6	111.9	-0.3	0.55
European Growth	30.0	32.1		0.03
European Income	35.2	37.7		4.00
Exempt	539.4	572.9		2.03
Gold Growth Fd	28.0	30.0		0.13
International Income	55.3	59.2	-0.2	4.96
Jap Tech & Gen	95.9	102.6	+0.2	0.01
Pacific Fund	161.7	173.0	+0.5	0.01
Secure Income Fd	174.5	186.7	+1.1	4.54
Small Co's Fd	37.8	40.5		1.45
Special Sits	213.1	228.0	-1.0	2.18
UK General Fund	33.4	35.7		2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc	24.2	25.9	+0.1	2.73
UK Equity Gth Tst Acc	24.5	26.3	+0.1	2.30
UK Equity High Inc Inc	24.0	25.7		4.92
UK Equity Gen Tst Acc	27.8	29.8	+0.2	3.12
UK Equity Gen Tst Inc	25.1	26.9	+0.1	3.12
Gilt & Fxd Int Tst Inc	23.7	25.2	+0.1	7.65
Nrth Amer Tst Acc	24.7	26.4	-0.1	1.85
Far East Trust Acc	24.2	25.9	+0.2	0.74
European Trust Acc	23.2	24.9		1.25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	231.4	246.4	-1.9	2.33
(Accum Units)	259.9	276.7	-2.1	2.33
(Withdrawal Units)	162.4	173.0	-1.3	2.33
Australian Fund	113.9	121.3	-0.6	1.11
(Accum Units)	115.8	123.4	-0.6	1.11
British Fund	590.8	629.2	+2.5	4.41
(Accum Units)	795.8	847.5	+3.3	4.41
European Fund	260.3	277.2	-3.0	1.02
(Accum Units)	273.1	291.9	-3.2	1.02
Japan Fund	292.5	311.5	+0.6	0.23
(Accum Units)	294.0	313.1	+0.6	0.23
Stewt. PPP	158.2	166.6		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	388.8	413.6		2.27
North America	60.5	64.3		1.17
Far East	70.9	75.4		0.39
Worldwide Bond	47.0	50.0		7.5

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

Master Portfolio	23.5	25.0		2.5
American Growth Acc	33.1	35.2	-0.5	1.4
American Income Acc	31.6	33.6	-0.3	5.5

Abbey Life—Continued
Pension Funds

Property	350.8	369.3	...	—
Equity	764.5	804.8	+4.7	—
Selective	249.8	263.0	+0.6	—
Managed	614.9	647.3	-0.5	—
Security	330.3	347.7		—
Fixed Int.	203.7	214.5	-0.5	—
European	168.3	177.2	-2.9	—
American	224.4	236.3	-0.2	—
Japan	233.9	246.3	-0.4	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	10.49	11.05		—
Bear	11.23	11.83	+0.02	—
Owl	11.62	12.24	-0.01	—
Bull	12.87	13.55	+0.02	—
Stag	12.45	13.11	+0.03	—
Gilt-Edged		11.23	+0.02	—
Deposit		9.65	...	—

Pension Funds (Accumulator Units)

Squirrel	11.11	11.70	+0.01	—
Bear	12.07	12.71	+0.03	—
Owl	12.52	13.18	-0.01	—
Bull	14.38	15.14	+0.03	—
Stag	13.88	14.62	+0.06	—
Gilt-Edged		11.29	+0.01	—
Deposit		9.76	+0.01	—

Exempt Approved

Mixed Managed	130.34	133.01	-0.03	—
Gilt-Edged	11.29			—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd. Acc (z)	711.7	749.1	+2.1	—
European Fd Accum(z)	187.9	197.7	-1.1	—
Fixed Int. Acc (z)	306.7	322.8	+0.5	—
Gtd Money Fd Acc(z)	197.2	207.6	+0.1	—
Intl Man Fd Acc (z)	299.4	315.1	+0.4	—
Intl Fxd Int Fd Acc(z)	175.5	184.7	+0.5	—
Japan Fund(z)	229.2	241.2	+2.8	—
Nth American Fd Acc(z)	170.9	179.8	+0.4	—
Prop. Fd Acc (z)	199.2	209.7	+0.1	—
Multiple Inv. Acc (z)	501.5	527.9	+1.1	—

Pension Funds

Eq Pen Fd Acc(z)	1282.9	1350.4	+5.3	—
Euro Fd Acc(z)	237.1	249.5	-1.9	—
Fixed Int. Acc (z)	574.1	604.2	+1.1	—
Gt Money Pn Acc(z)	319.2	336.0	+0.1	—
Intl Man Fd (z)	421.6	443.7	+0.8	—
Jap Pen Fd Acc(z)	306.5	322.6	+5.2	—
N Am Pn Fd Acc(z)	199.8	210.2	+0.7	—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fund	10.05	7.50	10.94	6-mth
7-day Fnd	10.18	7.61	11.10	6-mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	9.78	7.39	10.61	6-Mth
7-day Fund	9.68	7.24	10.38	6-Mth
Dollar	5.81	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF. 031-225 8484				
Full Service Chq Acc	9.25	6.80	9.82	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD. 01-283 9111				
HICA	10.5	7.85	11.46	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.00	6.72	9.77	Mth
Barclays Prime Account — PO Box 125, Northampton. 0604 252891				
High Int. Cheque	9.50	7.10	10.3338	Qtr
Britannia Investment Services Ltd. — 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	9.50	7.10	10.3338	Mth
Charterhouse Bank Limited — 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U S Dollar	6.25	4.67	6.72	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.50	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove. 01-741 4941				
Money Market Plus	£5,000+	7.50	10.93	Mth
For other rates please 'phone our Rateline 01-846 9760				
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd — Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Edward Manson & Co Ltd — 9 Henrietta Place W1M 9AG. 01-631 3313				
Cheque Deposit Acc	10.00	7.47	10.88	Mth
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH. 01-628 8060				
Money Mkt. Cheque Acc	9.40	7.02	10.22	Mth
Legal & General (Money Mngrs) Ltd — 355 Euston Road, NW1 3AG. 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC — 71 Lombard St, London EC3P 3BS. 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC — 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	9.75	7.47	10.52	—
M & G/Kleinwort Benson — M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.31	6.96	10.12	Daily
Midland Bank plc — PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.51	Qtr
£10,000 +	9.36	7.00	9.86	Qtr
NatWest Special Reserve Account — 41 Lothbury, London, EC2P 2BP 01-726 9955				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. Acct	9.375	7.01	—	3-Mth
Phillips & Drew Trust Ltd — 120 Moorgate, London EC2M 6XP. 01-628 9771				
High Int Chq Acc	10.00	7.48	10.83	Qtr
Provincial Trust — 30 Ashley Rd, Altrincham, Cheshire. 061-928 9011				
High Int Chq Acc	10.25	7.66	11.17	Mth
Royal Bank of Scotland plc — 42 St Andrews Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.70	7.25	10.49	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.36	7.00	10.21	Daily
Tyndall & Co — 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	9.75	7.28	10.54	Qtr
Money Acc	9.53	7.12	10.31	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth. 0705 827733				
Special Acc.	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.90	10.03	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL 15E. 0752 24141				
High Int Chq Acc	9.87	7.38	10.67	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
"Imps"	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
10 Jan 10 Jul	Treas 8¾pc 1984-86‡‡	99⅞xd	3.6	8.51	10.00
29 Apr 29 Oct	Exch 14pc 1986	101⅞	24.3	13.76	9.23
21 Mar 21 Nov	Exch. 2½pc 1986	98⅜	14.4	2.54	5.88
22 Jul 22 Jan	Exch. 13¼pc 1987	102⅞	06.12	12.94	9.21
10 Aug 10 Feb	Treas 10½pcCv '87	100⅞	6.1	10.18	9.10
24 Aug 24 Feb	Exch 2½pc 1987	97¼	20.1	2.56	6.32
6 Oct 6 Apr	Exch 10½pc 1987	101¼	3.3	10.39	9.07
1 Nov 1 May	Funding 6½pc '85-87‡‡	98⅜	25.3	6.61	8.39
12 Dec 12 Jun	Treas 10pc 1987	101xd	5.5	9.90	8.95
14 Jan 14 Jly	Treas 3pc 1987	96⅞	9.12	3.10	5.99
3 May 3 Nov	Treas. 12pc 1987	104	28.3	11.54	8.84
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	99¼	20.12	7.83	8.35
10 Nov 10 May	Exch 10½pc '88	103	3.4	10.19	8.75
14 Dec 14 Jun	Treas 9¼pc Cv '88	101¼xd	8.5	9.58	8.79
1 Jan 1 Jul	Transport 3pc '78-88	94¼xd	27.5	3.18	6.05
25 Apr 25 Oct	Treas. 9½pc '88	101¼	19.3	9.39	8.88
22 Aug 22 Feb	Treas 11½pc 1989	106¼	16.1	10.83	8.84
18 Oct 18 Apr	Treas 9½pc Cnv. '89	101¾	12.3	9.33	8.73
15 Nov 15 May	Treas 3pc 1989	91¼	8.4	3.27	6.09
14 Dec 14 Jun	Treas 10½pc 1989	104¼xd	8.5	10.05	8.81
1 Feb 1 Aug	Exch 10pc 1989	103¼	27.12	9.71	8.97
29 Mar 29 Sep	Exch 11pc 1989	106¼	20.2	10.38	8.81
15 Apr 15 Oct	Treas 5pc 1986-89	93¼	10.3	5.36	7.30
15 May 15 Nov	Exch 10¼pcCv '89	107¼xd	8.4	9.54	7.70
15 Jul 15 Jan	Treas 13pc 1990‡‡	112⅞	9.12	11.53	8.74
12 Aug 12 Feb	Exch 11pc 1990‡‡	106¼	6.1	10.31	8.80
27 Sep 22 Mar	Exch 12½pc 1990	111¼	13.2	11.18	8.77
8 Nov 8 May	Treas 3pc 1990	89¼	1.4	3.33	5.97
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	99¼xd	9.5	8.29	8.37
25 Apr 25 Oct	Treas 10pcCv 1990	104⅞	19.3	9.56	8.69
22 May 22 Nov	Exch 2½pc 1990	86¼	15.4	2.90	6.10
10 Jan 10 Jan	Treas 11¾pc 1991	111¼xd	3.6	10.59	8.78
5 Oct 5 Apr	Funding 5¾pc '87-91‡‡	94¼	3.3	6.11	7.32
13 Nov 13 May	Treas. 3pc 1991●	86¼		3.48	6.32
	Five to Fifteen Years				

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Campbell Soup 30c	40⅞	6.1	$1.32	—	2.2
F My Au N	Caterpillar Tractor$1	35¼	16.4	50c	—	1.0
Jn Ap Jy Oc	Cenergy Corp 25c	415p	30.8	4c	—	0.7
Fb My Ag Nv	Chase M'hn $12.5	27⅞	25.4	$2.05	—	5.0
Ap Jy Oc Ja	Chemical New York	35¼	11.3	$2.60	—	5.0
Mar Jun S D	Chesebrough-Pond's $1	34⅞	27.2	$2.00	—	3.9
Mar Jun S D	Chrysler $6¼	24	12.3	$66.6	—	1.9
My Au N F	Citicorp $4	39⅞xd	24.3	$2.26	—	3.9
Fb My Ag Nv	CityFed Fin. Corp.	10⅞	30.12	40c	—	2.5
F My Au N	Colgate-P $1	26⅞	22.4	$1.36	—	3.5
Mr Ju Se De	Colt Inds. $1	45¼	11.3	$2.50	—	3.8
—	Con Freightways $0.625	22⅞	6.5	73.3c	—	2.2
—	Cont'l Illinois Corp $1	513p	—	—	—	—
—	Cont Illinois Hldgs $1	41¼xd	3.84	—	—	—
—	♥Corporate Data Scnce	42p	—	—	—	—
Jn Ap Jy Oc	Crown Zell $5	29	5.12	$1.00	—	2.4
—	Cullinet Sftwr $0.1	10¼	—	—	—	—
—	Damson Oil 40c	124p	—	—	—	—
Mar Jun S D	Dana Corp. $1	22xd	22.5	$1.28	—	4.0
—	Data General	27	—	—	—	—
—	♥Derma-Lock Medical	15p	—	—	—	—
Mr Jn Sp Dc	Dun & Bradstreet $1	75¼	17.2	$2.56	—	2.3
F My Au N	Exxon Corpn 50c	47¼	30.4	$1.60	—	2.3
Mar Jun S D	♥Exxon$1	39⅞	7.11	$3.60	—	6.2
MrJnSepDec	FPL Group $0.01	20¼xd	27.5	$2.04	—	6.8
—	Fairmont Fin	19¼	—	—	—	—
F May Au N	Fin Corpn Amer 50c	764p	25.6	—	—	—
Jan Apr Jly O	First Chicago $5	23¼xd	3.6	$1.32	—	3.9
Mar Jun S D	Ford Motor $2	35¼	29.4	$2.20	—	4.3
Mar Jun S D	GATX 62½c	22¼	25.2	$1.20	—	3.6
April Oct	Gen. Elect $1¼	54¼xd	3.6	$2.32	—	2.9
Mar Jun S D	Gillette $1	28	28.4	$2.72	—	6.6
Fb My Aug Nv	Gt Am First Sav. Bk $1	11⅞	12.5	$26.7c	—	1.5
Fe My Au No	Gt. Western Fin $1	25⅞	30.4	$1.20	—	—
Ja No Au My	Hasbro Inc $0.50	33	15.4	15c	—	0.3
Mar Jun S D	Honeywell $1.50	52¼	25.2	$2.00	—	2.6

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

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Public Board and Ind.

Financial

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AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

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ENGINEERING—Continued

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HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

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LEISURE

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LEISURE—Continued

[illegible]

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Motors and Cycles

[illegible]

Commercial Vehicles

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Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

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PROPERTY—Continued

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[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

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INVESTMENT TRUSTS—Cont.

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Finance, Land, etc.

[illegible]

FINANCE, LAND—Cont.

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OIL AND GAS

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PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

—		Greenwich Res	108	—	—	—	—
Apr	Oct	Hampton Areas 10p	152	23.12	♦3.75	0.9	3.3
	—	♥Highwood Res	235	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£15	30.1	Q20c	—	0.9
—		♥McFinley Red Lake	185	—	—	—	—
	—	♥Musto Explorations	200	—	—	—	—
—		♥New Sabina Res C$1	35	—	—	—	—
—		Northgate C$1	218	9/77	—	—	—
Jan.	July	RTZ	645	12.5	22.0	2.8	4.8
Jan	July	Do. 9½pcLn '95-2000	£140½	12.5	Q9½%	15.5	f7.0
	—	♥Tara Expln $1	875	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable.
- ♦ Same interim, reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ¤ No par value

B.Fr. Belgian Francs. Fr French Francs. ♣♣ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	120	...	Fin. 13% 97/02	£123¼	..
Craig & Rose £1	£13		Arnotts	395	
Finlay Pkg 5p	43		CPI Hldgs.	58	..
Holt (Jos) 25p	810cl		Carroll Inds.	172	
IoM Stm £1	87		Dublin Gas	53	.
			Hall (R. & H.)	75	.
IRISH			Heiton Hldgs.	29	
Fund 11¾% 1988	£103½	..	Irish Ropes	105	
Nat. 9¾% 84/89	£101		Unidare	198	..

"Recent Issues" and "Rights" Page 24 (International Edition Page 26)

CONSTRUCTION CONTRACTS

Groups seek to overcome Thames crossing problems

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE FIRST interesting thing about the £200m-plus scheme to build a new Thames crossing at Dartford, east of London, is the way the contractors are proposing to tackle the difficult technical problems it presents.

The second is the way they are facing up to the challenge of putting forward schemes they would finance themselves, following the Government's policy of trying to attract private money for infrastructure projects and the precedent set by the Channel Tunnel project.

A new crossing is needed at Dartford because the existing twin tunnels have become overloaded with the opening of the M25 Motorway.

A variety of solutions has been put forward to solve the problem of carrying more than 27m vehicles by 1990. Ideas include bridges, immersed tube tunnels and a bored tube tunnel.

Secrecy

These proposals have been put forward by seven groups of contractors which are prepared to raise finance to back their schemes.

Costain and Tarmac: the Dartford Joint Venture led by Balfour Beatty and Taylor Woodrow; the Dartford Tunnel Group led by John Mowlem; and Laing, Christiani and Seven Seas, have all proposed submerged tube tunnels as their first choice solution.

Eurobridge with French Kier, and the Dartford Bridge Group led by Sir Robert McAlpine, have both proposed bridges; and Trafalgar House has proposed both a bridge and a bored tube tunnel.

Of these seven groupings, only John Mowlem's Dartford Tunnel Group has responded to the Government's challenge by openly declaring and promoting its scheme, for a £230m submerged tube tunnel under the Thames.

The others are behaving in the traditional manner of civil engineering companies bidding in confidence for public sector construction contracts awarded complete with finance to the lowest bidder.

For, far from indulging in any active and open marketing, the other bidders have been trying to keep their proposals as secret as possible.

And in this case, the "Most Secretive Contractor" prize has to go to Trafalgar House which, on the day the Department of Transport announced the bidders, took a top level decision not to reveal even whether its bid was for a bridge, or a tunnel, or both.

Scarred by its public failure to win both the prestigious Bosporus bridge contract and the Channel crossing, Trafalgar wanted to lobby for its preferred solutions—a bridge, or the surprise choice of a bored tunnel—in private.

The decision to opt for a bored tunnel is surprising because, as a result of the severe difficulties experienced boring the last Dartford tunnel under the Thames, most of the companies have chosen a submerged tube tunnel as their preferred solution.

Mowlem's plan involves casting eight sections of tunnel, 28 metres wide, 115 metres long and weighing more than 30 tonnes each, in a specially-constructed dry dock at Cliffe Creek, 10 miles up the Thames estuary from Dartford.

Once cast, these are then floated down the Thames, sunk into place, and automatically joined on the river bed.

"The concept is simple," says Mr Roger Sainsbury, the John Mowlem director in charge of bidding for the project. "But it needs a lot of experience to make it work in practice"—hence his group's inclusion of an experienced Dutch company, Volker Stevin, in its bidding.

Balfour Beatty—which bored the last Dartford tunnel—is also including a Dutch expert, Ballast Nedam, in its bid. Costain and Laing are relying on their own previous experience in building immersed tube tunnels.

But the reasons for choosing an immersed tube this time are explained most vividly by Balfour Beatty director, Mr David Cowthra.

"Our judgment against a bored tunnel was influenced by the cost of doing it last time, where we ran into difficult ground conditions. That contract is still the subject of dispute," he said.

The last Dartford Tunnel—started in 1972 and opened in 1980—ran into problems because of the high permeability of the chalk under the Thames.

Nonetheless, Trafalgar House is proposing a bored tunnel.

It rejected a submerged tube tunnel as being too expensive to build because of the ventilation required for heavy goods vehicles.

But Trafalgar's favourite solution is building a bridge.

This would provide work for its bridge building companies Cleveland Bridge and Redpath Dorman Long. Trafalgar is convinced that a bridge would solve some of the traffic management problems involved in a tunnel system. The new bridge could be used for heavy vehicles and hazardous cargoes, while cars and light vehicles could go through the tunnel.

The Dartford Bridge Group led by Sir Robert McAlpine also wants to build a bridge.

But whereas Trafalgar is proposing a cable-stay bridge, with the deck supported by cables direct from towers, McAlpine is proposing a 600 metre span four-lane suspension bridge, where the deck is slung on cables from overhead supports. It is proposing to use technology supplied by one of its partners in the bid, the Danish bridge-builder Monberg and Thorsen.

Difficult

The third grouping that is leading its proposals with a bridge is Eurobridge, with contractors Brown and Root, French Kier, and the French bridge-maker Campenon et Bernard.

Eurobridge is proposing a four-lane suspension bridge with a 500 metre span, which—using the opposite approach to Trafalgar House—would carry cars and light vehicles while lorries would be sent through the existing tunnels.

Given the veil over all the schemes except for Mowlem's, comparing the time and costs of the various proposals is difficult.

The bridge-builders are convinced they could have a new crossing completed in around three years, while the submerged tube tunnellers give this as their more optimistic estimate.

Comparing the costs is even more of a problem. But most of the proposals work out at between £80m and £100m if the Government finances the construction work. If the contractors have to finance the scheme and buy out and operate the existing toll tunnels themselves, bridges work out at about £160m and up, and tunnels at between £200m and £230m.

Mechanical services at Sellafield

HADEN YOUNG has nine orders totalling £22.8m. A £6.4m contract from the Balfour Beatty Fairclough joint venture at British Nuclear Fuels, Sellafield is for mechanical services installations in the management centre and thermal oxide reprocessing plant. Two hospital contracts together worth £2.8m are at Warrington District General Hospital for the Merseyside Regional Health Authority and at Furness General Hospital for the Northern Regional Health Authority. At the new Refuge Assurance headquarters in Wilmslow, Cheshire, Haden Young will install air conditioning and mechanical services worth £2m and will also design and construct mechanical, electrical and sanitary services worth £1m for a 150-room Novotel hotel at Worsley, Manchester.

A £4.7m order for ICI's Millbank headquarters in London is for refurbishment of the air conditioning, mechanical, sanitary and sprinkler services: and in Phase 1 of the Hammersmith Hospital redevelopment scheme, Haden Young will install air conditioning and mechanical services worth £2.6m. Site work will start in November on a £2.3m contract awarded by Wates Construction at the Royal Insurance building in Chancery Lane, London; and a further project, worth £1.3m is at Croydon Court House for the Property Services Agency.

*

DELTA CONSTRUCTION CO has been awarded contracts worth over £3.2m for tunnelling and main drainage projects in the private and public sectors. For Sandwell Metropolitan Borough Council, acting as agent for Severn Trent Water Authority, the company is carrying out a £1.3m second phase of the Toll End to Ray Hall trunk sewer.

*

Two refurbishment contracts totalling £1.5m have been awarded to MICHAEL BAKER CONTRACTS for up-grading offices at the headquarters building of Cannon Assurance at Wembley and the City of London offices of solicitors Simmons & Simmons.

WORLD STOCK MARKETS

AUSTRIA

1986 High	Low	June 6	Price Sch
2,650	2,200	Credit'nst'lt pp *	2,230
3,850	3,075	Goesser *	3,450
16,000	13,300	Interunfall *	14,450
21,750	18,000	Jungbunzlauer *	18,500
2,475	1,950	Laenderbank *	2,220
795	625	Perlmooser	630
211	150	Steyr Daimler	174
12,500	8,850	Veitscher Mag *	11,100

BELGIUM/LUXEMBOURG

1986 High	Low	June 6	Price Frs.
3,500	2,290	B.B.L.	3,050
15,600	9,600	Banq. Gen. Lux	15,600
17,000	9,400	Banq. Int.A.Lux	16,300
14,500	8,250	Bekaert	11,900
4,660	2,640	Ciment CBR	3,585
195	143	Cockerill	146
13,500	8,310	Delhaize	13,300
4,940	3,580	EBES	4,375
17,350	10,425	Electrobel	15,475
2,700	1,970	Fabrique Nat	2,510
7,760	3,580	GB Inno BM	7,150
4,525	3,695	GBL (Brux.)	3,030
6,800	4,310	Generale Bank	6,200
6,850	4,750	Gevaert	6,000
8,150	5,700	Hoboken	7,840
3,995	2,880	Intercom	3,460
17,500	10,100	Kredietbank	16,300
11,650	9,900	Pan Hldgs	11,650
8,010	6,050	Petrofina	8,010
26,000	17,800	Royale Belge	23,600
3,270	2,120	Soc. Gen. Belge	2,915
11,600	7,710	Sofina	9,560
6,920	6,050	Solvay	7,860
585	460	Stanwick Intl	460
6,340	4,675	Tractionel	5,600
7,400	5,300	UCB	7,320
6,200	3,705	Wagons Lits	5,870

DENMARK

1986 High	Low	June 6	Price Knr. %
424	348	Andelsbanken	353
670	615	Baltica Skand.	650
348	267	Cop Handelsb'nk	275
470	370	D. Sukkerfab	385
381	314	Danske Bank	325
1,660	1,480	De Danske Luft.	1,680
298	212	East Asiatic	219
1,240	900	Forenede Brygg.	1,150
268	204	Forenede Damp.	220
665	470	GNT Hld.	525xr
830	565	I.S.S.B.	670
846	560	Jyske Bank	573
273	238	Novo Inds*	268
339	264	Privatbanken	270
470	319	Provinsbanken	325
359	278	Smidth (F.L.) B	295
1,020	885	Sophus Berend	895
331	260	Superfos	268

FRANCE

1986 High	Low	June 6	Price Frs.
1,630	1,473	Emprunt 4½% 1973	158.5
7,965	7,190	Emprunt 7% 1973	7,562
493	298	Accor	369.1
845	608	Air Liquide	710
718	508	BIC	557
2,210	1,610	Bongrain	1,720
1,865	909	Bouygues	1,040
4,140	2,730	BSN Gervais	3,325
2,500	1,368	CIL Alcatel	2,720
2,914	2,312	Carrefour	2,050xc
625	468	Club Mediter'n	496
1,386	872	Cie Bancaire	1,011
468	347.5	Cofimeg	444
2,525	1,721	Damart	1,830
3,410	2,162	Darty	3,050
1,470	1,050	Dumez S.A.	1,190
1,688	877	Eaux (Cie Gen)	1,162
373	196	Elf-Aquitaine	299.1
2,905	2,000	Essilor	2,515
1,020	714	Gen.Occidentale	892
115.5	69	Imetal	69
1,613	745	Lafarge Coppee	1,250
3,960	2,805	L'Oreal	3,151
4,080	2,640	Legrand	3,510
350	169	Maisons Phenix	215
2,639	1,480	Matra S.A.	1,895
3,459	1,725	Michelin B	2,670
6,670	4,550	Midi (Cie)	5,270
2,650	1,875	Moet Hennessy	2,118
115	64.7	Moulinex	86.5
241	166	Nord Est	166
1,265	807	Pernod Ricard	975
736	481	Perrier	671
404	296	Petroles Fra	356
1,150	512	Peugeot S.A.	890
738	417	Printemps (Au.)	515
995	421	Radiotech.	801
2,600	1,740	Redoute	1,805
1,799	1,302	Roussel-Uclaf	1,420
587	390	Sefimeg	499
1,490	1,100	Skis Rossignol	1,125
3,855	2,640	Telemec Elect	3,000
1,439	822	Thomson (CSF)	1,170
619	348	Valeo	465

SWITZERLAND

1986 High	Low	June 6	Price Frs.
6,500	4,460	Adia Intl.	6,375
765	630	Alusuisse	726
4,850	3,525	Bank Leu	3,585
2,385	1,620	Brown Boveri	1,815
4,550	3,450	Ciba Geigy	3,575
3,425	2,510	do. (Part Certs)	2,630
3,910	3,100	Credit Suisse	3,700
3,890	3,370	Elektrowatt	3,500
1,675	1,125	Fischer (Geo.)	1,560
141,000	111,750	Hoff-Roche PtCts	115,500
14,000	11,150	Hoff-Roche 1/10	11,500
8,225	7,100	Jacobs Suchard	7,600
3,850	3,100	Jelmoli	3,300
2,355	1,820	Landis & Gyr	1,820
9,600	8,000	Nestle	8,300
2,040	1,420	Oer. Buehrle	1,800
495	378	Pirelli	443
13,375	10,200	Sandoz (Br.)	11,800
2,030	1,630	Sandoz (Pt Cts)	1,700
900	770	Schindler (PtCts)	780
1,980	1,600	Sika	1,600
7,300	5,900	Surveillance A	7,010
2,220	1,635	Swissair	1,650
625.5	534	Swiss Bank	540
19,700	13,200	Swiss Reince	18,200
2,750	2,340	Swiss Volksbk	2,400
5,790	4,850	Union Bank	5,475
6,600	4,620	Winterthur	6,000
8,775	5,750	Zurich Ins	7,725

AUSTRALIA

1986 High	Low	June 6	Price Aust. $
3.80	2.55	ACI Intl	3.50
16.5	11.5	Adelaide Steams	15.1
3.8	2.68	Amcor	3.46
6.3	4.4	ANZ Group	5.34
3.22	2.36	Ampol Pet	2.5
1.75	1.15	Ashton	1.7
3.65	2.1	Aust. Guarantee	3.5
3.70	2.88	Aust. Nat. Inds	3.48
9.2	5.9	Bell Group	9.2
5.79	3.70	Bell Res	4.3
3.55	1.05	Bond Corp Hldgs	3.26xr
5	3.25	Boral	4.85
2.72	1.9	Bougainville	2.72
7.10	4.3	Brambles Inds	6.80
1.89	0.59	Bridge Oil	0.8xr
9.1	6.32	B. H. Prop.	8.64
7.50	5.3	Burns Philip	7.2
7.4	5.46	CRA	6.4
3.78	2.92	CSR	3.55
9.40	8.4	Chase Corp	8
1.24	0.77	Claremont Pet	0.77
6.4	4.1	Coles Myer	5.66
2.50	1.80	Comalco "A"	2.4
0.25	0.14	Consolidated Pet	0.16
2.70	2.20	Costain Aust	2.20
4.68	2.0	Elders IXL	4.45
1.82	1.42	Energ Res	1.5
2.78	2.16	Gen. Prop. Trust	2.74
3.70	3.18	Hardie (James)	3.44
2.12	1.60	Hartogen Energy	1.85
7.10	4.85	Herald W'yTimes	6.52
2.8	2.12	ICI Aust	2.6
0.24	0.18	Jimberlana F.P.	0.2
0.2	0.14	Kia Ora Gold	0.15
6.6	4.9	Kidston Gold	5.94
9.8	5.74	Land Lease	9.2
3.12	2.10	MIM	2.3
3.85	3.2	Mayne Nickless	3.25
6.6	4.0	Nat. Aust. Bank	6
26.0	9.02	News	22.5
3.80	2.4	Nicholas Kiwi	3.42
0.97	0.65	NorandaP'ciPipd	0.92
2.91	1.70	North Bkn Hill	2.05
1.28	0.73	Oakbridge	0.8
4.0	2.5	Pacific Dunlop	3.5
2.2	1.72	Pancontinental	1.96
3.10	2.52	Pioneer Conc	2.8
3.07	2.02	Poseidon	2.95
1.75	1.54	Queensland	1.75
4.8	3.9	Reckitt&Colman	4.7
2.35	1.5	Repco	2.35
5.56	3.6	Santos	3.8
5.2	4.2	Smith (Howard)	4.6
4.15	2.18	Thos. Natwide	3.6
6.7	5.2	Tooth	6.1
3.1	1.95	Vamgas	3.25
3.82	3.10	Western Mining	3.20
6.28	4.5	Westpac Bank	5
1.2	0.93	Woodside Petrol	0.94
3.65	3.10	Woolworths	3.18
4.75	3.35	Wormald Intl	4.12

NETHERLANDS

1986 High	Low	June 6	Price Fls
345	268	ACF Holding	330
125.2	99.3	AEGON	109.6
90.2	69.5	Ahold	86.6
181.9	149.4	AKZO	169
609.5	537	ABN	578
93.8	75.8	AMEV	81.5
117	94.5	AMRO	107.7
224	193	Bredero Cert	215
19.9	13	Bos Kalis Westm.	14.8
185	135	Buehrmann-Tet.	180.5
33	17.5	Calland Hlgs	18.5
188	156.8	Dordtsche Pet'm	186.4
219	154	Elsevier-NDU	216.5
96.2	77.8	Fokker	86.5
304	255	Gist Brocades	286.0
182.6	160.0	Heineken	171.5xc
118	78.2	Hoogovens	110.8
75	55.5	Hunter Doug N/V	60.8
79.8	66.5	Int Mueller	79.8
55.8	45.4	KLM	50.4
149.5	118.7	KNP	143.5
63.5	47.5	Naarden	64
89.5	71.5	Nat Ned Cert	86.3
255.5	187.5	Ned Mid Bank	210.5
219.9	163	Nedlloyd	169
520	410	Oce Grinten	502
37.3	30.4	Ommeren (Van)	34.1
92.5	50.0	Pakhoed	55.4
65.7	53.8	Philips	55.3
95.6	82.9	Robeco	92.8
142.1	133	Rodamco	140
87.8	72.2	Rolinco	85.1
51.1	46.6	Rorento	49.9
198.6	164.8	Royal Dutch	196.8
477.5	347.7	Unilever	470
313.5	267.2	VMF Stork	295
347	270.5	VNU	336
292	239	Wessanen	287.5
108.5	45.7	West Utr Bank	50

NORWAY

1986 High	Low	June 6	Price Kroner
172.5	142	Bergens Bank	154
477.5	324	Borregaard	327.5
179	151.5	Christiania Bank	160
185	146	Den Norske Cred	152
126	94	Elkem	108
197.5	139	Kosmos	156
191	120	Kvaerner	131.5
156.2	90	Norcem	97
243.7	200	Norsk Data	217.5xc
161	122	Norsk Hydro	155.5
285	205	Storebrand	240

SOUTH AFRICA

1986 High	Low	June 6	Price Rand
3.00	1.8	Abercom	2.15
12	8.90	AE&CI	10.5
70.50	53	Allied Tech	70.5
60.50	38.5	Anglo Am Coal	42.75
46	38.5	Anglo Am. Corp.	46
253	206	Anglo Am. Gold	253
22	18.25	Barclays Bank	20.0
18.2	14.35	Barlow Rand	16.2
90	62	Buffels	88.0
2.6	1.85	CNA Gallo	2.35
5.35	4.3	Currie Finance	4.5
26.75	16.7	De Beers	26.7
59.5	49.25	Driefontein	59.5
40.25	29.25	F.S.Cons	33.0
43	32	Gold Fields S.A.	39
16.3	5	Highveld Steel	6.9
10	6.2	Malcor	9.8
8.5	5.75	Nedbank	6.0
14.75	11.5	OK Bazaars	14.35
62.0	45	Rembrandt	62.0
36	26	Rust Plat	34.25
17.4	13	Safren	16.75
11.4	9.5	Sage Hldgs	10.25
10.7	8.2	SA Brews	10.20
30.5	24	Smith (CG)	28.5
8.4	7.4	Tongaat Huletts	7.6

HONG KONG

1986 High	Low	June 6	Price H.K.$
25.7	18.4	Bank East Asia	18.8
5.70	5.15	Cathay Pacific	5.5
22	17.9	Cheung Kong	20.0
17.8	15	China Light	15.8
0.75	0.59	Evergo	0.62
40.4	35	Hang Seng Bank	35
2.20	1.65	Henderson Land	2.1
15.7	11.8	HK China Gas	15.1
9.50	8.3	HK Electric	8.85
7.8	5.2	HK Kowloon Wh	6.8
6.95	5.5	HK Land	5.9
7.80	6.25	HK Shanghai Bk	6.75
12	9.3	HK Telephone	11.9
31.5	24	Hutchison Wpa	28.1
14.6	11	Jardine Math	12.3
7.15	5.5	New World Dev	5.85
13.4	10.6	SHK Props	12.1
1.13	0.91	Shell Elect	0.92
14.3	9.9	Swire Pac A	11.9
6.80	5	TV—B	6.8
—	—	Winsor Inds	8.45
2.77	2.07	World Int. Hldgs	2.32

ITALY

1986 High	Low	June 6	Price Lire
34,995	19,980	Banco Com'le	2,7200
868	746	Bastogi-IRBS	771
4,780	3,050	Centrale	3,780
16,400	6,160	C.I.R.	14,100
4,590	3,151	Credito Italiano	3,930
15,000	6,551	Fiat	127,780
166,909	75,160	Generali Assicur	13,9000
79,850	48,200	Italcementi	68,500
1,450	920	La Rinascente	1,129
4,633	2,706	Montedison	3,130
18,890	8,710	Olivetti	15,320
8,970	6,085	Pirelli Co.	7,520
6,510	3,370	Pirelli Spa	5,380
6,885	4,780	Saipem	5,300
7,650	4,944	Snia BPD	5,500
64,000	24,250	Toro Assic	54,600

GERMANY

1986 High	Low	June 6	Price Dm
360	265	AEG	315.8
2,875	1,190	Allianz Vers	2,378
331.8	260.3	BASF	277.9
350	270	Bayer	298.8
688	515	Bayer-Hypo	552
675	468	Bayer-Verein	532
593	465	BHF-Bank	489
645	483	BMW	565
328	232.5	Brown Boveri	305
377.5	268	Commerzbank	313
264.5	203	Cont'l Gummi	252.5
1,549.5	1,147	Daimler-Benz	1,314
534	426	Degussa	440
240	188	D'sche Babcock	191
920	723.7	Deutsche Bank	792.5
506	353.3	Dresdner Bank	415.8
		Feld-Meuhle N61	301
290	205	GHH	213.8
459	380	Henkel	405
960	710	Hochtief	880
327	255	Hoechst	256xr
201	157	Hoesch Werke	174.8
660	470	Holzmann (P)	520
246	180	Horten	184
587	426	Hussel	486
405	318	Karstadt	324
492	350	Kaufhof	451
393	243	KHD	243.0
125	89.8	Kloeckner	91
775	579	Linde	697
311.8	195	Lufthansa	200
247	179	MAN	185
311.8	209.8	Mannesmann	212
1,374	995	Mercedes Hld	1,165
430	305	Metallgesell	318
4,350	2,800	Muench Rueck	2,850
650	548	Nixdorf	578
1,480	1,015	Porsche	1,012
297	172.5	Preussag	181
275	195	Rhein West Elect	227.0
398	330	Rosenthal	331
670	514	Schering	580
826.5	603.7	Siemens	618.9
198	152	Thyssen	158.3
390	239	Varta	340
346	270.8	Veba	286
202	140	V.E.W	165.0
550	392	Verein-West	515
684	495	Volkswagen	540

SWEDEN

1986 High	Low	June 6	Price Kronor
230	175	AGA	205
378	245	Alfa-Laval B	360
362	205	ASEA (Free)	354
647	490	Astra (Free)	647
258	166	Atlas Copco	225
306	263	Cardo (Free)	306
255	159	Cellulosa	255
312	194	Electrolux B	280
299	216	Ericsson B	262
570	450	Esselte	570
[illegible]	178	Mo och Domsjo	242
252	167	Pharmacia	217
890	495	Saab Scania Free	850
930	675	Sandvik	905
530	330	Skandia	530
389	286	SKF	350
190	136	Sonneson	185
323	157	Stora Kopparbrg	315
373	220	Swedish Match	348
435	300	Volvo B (Free)	426

SINGAPORE

1986 High	Low	June 6	Price $
1.19	0.76	Boustead Hldgs	1.01
3.06	2.17	Cold Storage	2.98
6.40	4.4	DBS	6.25
4.54	3.3	Genting	6.40
2.70	1.64	Haw Par. Bros.	2.70
2.50	1.74	Hong Leong Fin.	2.24
1.86	1.02	Inchcape Bhd	1.86
1.34	0.4	Keppel Shipyard	1.31
4.66	3.04	Malay Banking	3.24
1.69	0.98	Malay Utd Ind	1.30
0.6	0.30	Multi Purpose	0.44
7.55	5.85	OCBC	7.05
2.85	2.12	OUB	2.85
1.78	0.80	Public Bank	0.95
1.35	0.82	Sime Darby	1.31
6.80	5.65	Singapore Air	6.65
6.80	5.5	Singapore Press	6.75
2.88	1.86	Straits Trdg	2.88
2.30	1.91	Tat Lee Bk.	2.30
3.64	2.22	UOB	3.64

JAPAN

1986 High	Low	June 7	Price Yen
1,970	1,130	Ajinomoto	1,920
1,040	745	All Nippon Air	1,040
2,140	1,650	Alps Electric	2,080
906	726	Asahi Chem	845
1,280	890	Asahi Glass	1,250
865	691	Bank Tokyo	781
742	612	Bridgestone	722
637	540	Brother Inds	610
1,200	950	Canon	1,030
1,840	1,430	Casio Comp	1,530
1,440	921	Chugai Pharm	1,320
1,760	715	Daiei	1,510
1,700	1,460	Dai-Ichi Kan. Bk.	1,490
470	300	Dai Nippon Ink	445
1,970	1,270	Dai Nippon Ptg	1,920
1,600	841	Daiwa House	1,400
1,620	734	Daiwa Sec.	1,620
1,850	1,320	Eisai	1,560
7,750	6,500	Fanuc	6,920
1,700	1,460	Fuji Bank	1,490
2,930	1,650	Fuji Film	2,930
2,070	888	Fujisawa	1,250
1,130	956	Fujitsu	995
456	334	Furukawa Elect.	424
2,440	1,980	Green Cross	2,260
1,120	794	Heiwa Real Est	948
980	723	Hitachi	900
1,620	1,150	Hitachi Credit	1,520
1,260	1,020	Honda	1,180
1,650	1,000	Indl. Bk. Japan	1,570
229	150	Ishikawajima Hr.	221
396	333	Isuzu Motors	354
534	413	Itoh (C.)	467
4,150	2,950	Ito. Yokado	3,750
13,700	8,600	JAL	9,810
1,590	965	Jusco	1,460
902	463	Kajima	882
1,630	986	Kao Soap	1,580
183	134	Kawasaki Steel	180
1,520	737	Kirin	1,470
197	172	Kobe Steel	192
516	462	Komatsu	476
738	658	Konishiroku	705
415	339	Kubota	344
924	750	Kumagai	812
4,960	4,020	Kyocera	4,250
368	311	Marubeni	348
2,580	1,540	Marui	2,400
416	372	Mazda Motos	387
843	535	Meiji Seika	819
1,560	1,160	MEI	1,510
1,680	1,450	M'bishi Bank	1,440
751	506	M'bishi Chem	750
789	589	M'bishi Corp	784
375	328	M'bishi Elect	352
2,230	1,070	M'bishi Estate	1,990
428	353	MHI	375
1,170	951	Mitsui Bank	1,030
515	405	Mitsui	460
1,780	989	Mitsui Estate	1,700
309	209	Mitsui Toatsu	299
1,120	590	Mitsukoshi	1,120
1,120	886	NGK Insulators	963
1,100	675	Nikko Sec.	1,100
1,540	1,200	Nippon Denso	1,430
1,630	1,160	Nippon Elect	1,560
950	660	Nippon Express	807
1,890	1,350	Nippon Gakki	1,890
1,200	985	Nippon Kogaku	1,170
156	128	Nippon Kokan	156
1,230	791	Nippon Oil	1,160
614	447	Nippon Seiko	599
1,260	758	Nippon Shimpan	1,170
186	154	Nippon Steel	177
472	338	Nippon Suisan	457
510	293	Nippon Yusen	415
585	525	Nissan Motor	559
840	634	Nisshin Flour	840
3,200	1,010	Nomura	3,200
1,330	980	Olympus	1,320
473	311	Onoda Cement	460
1,190	910	Orient Finance	1,090
4,080	2,560	Orient Leasing	3,930
2,450	1,650	Pioneer	2,420
1,130	856	Ricoh	920
1,570	1,070	Sankyo	1,370
1,470	1,220	Sanwa Bank	1,270
460	386	Sanyo Elect	423
1,100	632	Sapporo	1,100
1,240	800	Sekisui Prefab	1,210
9,710	6,050	Seven-Eleven	7,610
1,070	811	Sharp	1,020
612	350	Shimizu Constn.	570
1,200	760	Shionogi	1,180
1,950	1,310	Shiseido	1,910
425	207	Showa Denko	389
4,160	3,430	Sony	3,490
2,830	1,570	S'tomo Bank	1,830
383	236	S'tomo Chem	379
890	725	S'tomo Corp	789
1,230	840	S'tomo Elect	1,190
156	137	S'tomo Metal	151
531	308	Taisei Corp	531
780	496	Taisho Marine	759
760	675	Taiyo Kobe Bank	698
1,660	967	Takeda	1,620
4,480	3,570	TDK	3,990
565	457	Teijin	510
1,800	1,110	Toa. Nenryo	1,590
1,030	760	Tokai Bank	960
1,430	833	Tokio Marine	1,260
4,110	2,690	Tokyo Elect Pwr	3,950
442	277	Tokyo Gas	424
957	565	Tokyu Corp	924
1,770	974	Toppan Print	1,570
632	485	Toray	560
447	357	Toshiba Elect	424
2,400	1,490	Toyo Seikan	2,250
1,660	1,130	Toyota Motor	1,510
290	200	UBE Inds	284
3,260	1,490	Victor	3,100
776	630	Yamaha	751
1,020	680	Yamaichi Sec	1,120
3,480	2,920	Y'manouchi Phm	3,060
1,530	777	Yamazak	1,470
740	496	Yasuda Fire	670

SPAIN

1986 High	Low	June 6	Price Pts %
920	415	Bco Bilbao	899
736	347	Bco Central	640
470	207	Bco Exterior	404
505	207	Bco Hispano	400
1,100	439	Bco Popular	988
770	420	Bco Santander	642
1,540	595	Bco Vizcaya	1,302
428.5	155	Dragados	327
142	82.5	Hidrola	122.7
201	101.6	Iberduero	164.5
458	172	Petroleos	351.5
228.5	126.5	Telephonica	194

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Danish Kroner.

CANADA

TORONTO

Closing prices June 6

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices June 6

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 5,183,270 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices, June 6

Continued from Page 37

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Indices

NEW YORK

DOW JONES	June 6	June 5	June 4	June 3	June 2	1986 High	1986 Low	Since Cmp High	Since Cmp Low
◆Industr'ls	1885.90	1879.44	1863.29	1870.43	1861.95	1885.90 6/6	1502.29 22/1	1885.90 6/6/86	41.22 2/7/32
H'me Bnds	89.50	89.33	89.84	90.09	90.14	91.94 21/4	85.75 14/1	—	—
Transport	795.32	804.50	798.00	797.88	798.58	830.94 31/5	686.97 9/1	830.94 31/5/86	12.32 8/7/32
Utilities	187.76	186.69	186.57	188.02	188.33	195.73 31/5	158.47 22/1	195.73 31/5/86	10.5 8/4/32

◆Day's High 1894.38 (1880.79) Low 1866.12 (1855.18)

STANDARD AND POOR'S	June 6	June 5	June 4	June 3	June 2	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite ‡	245.67	245.65	243.94	245.51	245.04	247.98 (29/5)	203.49 22/1	247.98 29/5/86	4.40 1/6/32
Industrials	275.42	275.20	273.20	275.00	274.16	277.16 (29/5)	224.88 22/1	277.16 29/5/86	3.62 31/6/32
Financials	28.98	29.16	29.25	29.31	29.51	31.13 (14/3)	25.19 22/1	31.16 14/3/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	140.96	140.25	140.20	141.04	140.86	142.37 29/5	117.75 22/1	142.37 29/5/86	4.46 29/4/42
AMEX.MKT. VALUE	280.54	279.86	280.00	280.48	280.79	282.80 30/5	240.30 4/2	282.60 30/5/86	29.13 9/12/74
NASDAQ OTC COMP.	400.25	400.03	399.05	399.48	399.35	400.25 6/6	322.01 9/1	400.25 6/6/86	54.87 3/10/74

DIVIDEND YIELDS	May 30	May 23	May 9	May 2	year ago (approx)
Dow Industrial	3.57	3.57	3.63	3.87	4.65
	May 28	May 21	May 14	May 7	
S and P Industrial	2.92	3.06	3.03	3.05	3.76
S and P Ind P E ratio	18.03	17.28	17.38	17.25	11.58

TRADING ACTIVITY

Millions	June 6	June 5	June 4
Volume †			
New York	110.91	110.92	116.96
Amex	12.00	11.60	12.27
O.T.C.	—	125.60	122.74

New York	June 6	June 5	June 4
Issues Traded	1,902	1,952	1,956
Rises	628	839	558
Falls	815	678	978
Unchanged	459	435	420
New Highs	—	72	78
New Lows	—	9	10

CANADA

TORONTO	June 6	June 5	June 4	June 3	June 2	1986 High	1986 Low
Metals & Minerals	2318.94	2180.56	2168.5	2172.4	2174.8	2442.85 (21/3)	2025.3 (21/5)
Composite	3090.7	3084.3	3095.5	3096.4	3098.8	3128.11 (18/4)	2754.0 (17/2)
MONTREAL Portfolio	1575.28	1573.01	1585.19	1584.35	1586.47	1626.55 (16/4)	1366.60 (22/1)

	June 6	June 5	June 4	June 3	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1230.2	1228.1	1223.3	1220.5	1247.0 (7/5)	1018.8 (2/1)
Metals & Mnls. (1/1/80)	530.5	524.2	519.8	516.3	562.0 (24/5)	481.1 (20/5)
AUSTRIA						
Credit Bk Aktien (2/1/62)	118.39	117.98	118.49	120.41	138.89 (25/4)	118.12 (5/6)
BELGIAN						
Brussels SE (1/1/80)	3580.6	3585.25	3606.81	3818.52	3708.16 (24/4)	2766.81 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	227.88	(c)	228.61	227.56	250.78 (18/4)	214.37 (21/1)
FRANCE						
CAC General (31/12/82)	357.20	358.0	351.7	358.1	411.5 (15/5)	267.8 (2/1)
Ind Tendance (31/12/85)	127.10	127.3	151.8	154.7	154.3 (12/5)	101.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	641.10	635.51	627.72	628.93	755.88 (17/4)	618.34 (27/2)
Commerzbank (1/12/53)	1837.5	1817.3	1894.9	1901.8	2278.8 (17/4)	1863.6 (27/2)
HONG KONG						
Hang Seng Bank (31/7/64)	1747.09	1748.56	1756.67	1757.91	1885.85 (7/5)	1559.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	741.30	765.40	790.10	820.88	908.20 (20/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	16817.91	16811.0	16682.7	16669.5	16817.91 (6/6)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1307.47	1306.43	1304.58	1302.98	1309.88 (2/6)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	287.8	288.1	288.6	290.2	292.3 (2/6)	240.4 (3/3)
ANP.CBS Indust (1970)	276.9	279.3	281.7	285.2	284.3 (2/6)	234.0 (5/5)
NORWAY						
Oslo SE (4/1/83)	349.2	350.59	355.38	352.08	402.91 (16/1)	332.25 (20/5)
SINGAPORE						
Straits Times (30/12/66)	691.96	685.45	695.25	695.51	695.51 (3/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1261.8	1256.2	1227.0	1507.9 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1165.5	1165.6	1161.4	1203.1 (20/5)	1069.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	178.78	178.72	181.55	184.04	194.77 (12/5)	100.85 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2416.47	2400.75	2426.75	2375.78	2426.75 (4/6)	1729.57 (29/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	560.6	563.6	564.2	571.0	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	317.10	315.8	316.9	322.2 (21/4)	243.8 (25/1)

** Saturday June 7: Japan Nikkei 16,899.01. TSE 1,311.78.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500 NYSE All Common—50; Standard and Poors—10; and Montreal Portfolio 4/1/83 Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
McDermott	2,861,300	19½	+ ⅛
Brock Hotel	2,242,100	9⁄32	— 1⁄32
Borg-Warner	1,501,400	30⅞	+ 1⅛
Tex Com Bk	1,420,200	23	—
East Kodak	1,190,900	62⅞	+ ⅛
ATT	1,174,300	25	—
Sears Roebuck	1,128,700	48¾	—
Comw. Edison	1,045,100	30¾	+ ⅛
Chrysler	1,036,700	36⅞	—
Walt Disney	920,000	51¾	+1½

Closing prices, June 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25½	12	AAR s	.44	1.8	23	838	25	24	24⅞	+⅞
30	21¾	ADT	.92	3.3		30	27¾	27½	27½	−⅛
28⅞	11½	AFG s			18	209	27⅝	27¼	27½	
25⅛	12⅞	AGS			16	226	21⅞	20⅞	21⅝	+⅞
15	9⅞	AMCA				42	12½	12⅛	12⅛	−⅝
60⅝	37½	AMR			11	6811	56¼	54½	54¾	−1⅜
27½	23¼	ANR pf2.67		10.		11	25⅝	25½	25½	−½
23½	19	ANR pf2.12		9.6		9	22	21¾	22	+⅛
12½	7⅝	APL			6	183	10¾	10½	10⅝	−¼
16⅞	11⅛	ARX	.71t	5.1	13	54	14	13¾	13⅞	−⅛
51⅛	32¾	ASA	2a	5.8		140	35	34¾	34¾	−¼
18⅝	10½	AVX		2.3		962	13⅞	13⅝	13⅞	+⅛
32	22⅝	AZP	2.72	9.8	7	948	27¾	27½	27⅝	+⅛
47½	26⅝	AbtLb s			23	2623	47½	46⅝	46⅞	+¼
32	19⅝	AccoWd .50		1.7	20	130	30	29¾	30	−⅛
24¾	10	AcmeC .40		3.2		57	12⅝	12½	12⅝	+⅛
8¼	7	AcmeE .32b		4.1	19	3	7⅞	7¾	7¾	
20¼	16⅞	AdaEx 1.90e		9.5		51	20	19⅞	20	+⅛
31¾	15	AdmMl .40		1.3	14	17	31	30⅞	31	
20⅜	10¼	AdvSys .83t		4.7	16	23	17⅞	17⅝	17⅝	−⅛
32⅞	22⅞	AMD				3962	25¼	24	24	−1
12⅝	8¼	Adobe n				82	8½	8⅜	8½	
16⅞	14⅝	Adob pf1.84		11.		73	16½	16⅜	16½	
20¼	15¼	Adob pf2.40		13.		6	18⅞	18⅞	18⅞	−⅛
18⅜	7⅝	Advest .12a		.7	13	506	17¼	16¼	16⅞	−½
66½	42¼	AetnLf 2.64		4.4	11	6408	60¾	59½	59¾	−1
57½	52⅞	AetL pf4.28e		8.2		z2023	52¼	d52	52⅛	+⅛
69¼	29	Ahmns 1.38		2.1	7	3424	65¼	64	65	+1
23	9⅝	Ahmn wi				7	21¾	21⅝	21¾	+⅛
5¾	2½	Aileen			113	160	5⅝	5⅝	5⅝	
41⅞	25¾	AirPrd s .80		2.0	16	1951	39⅞	39¼	39⅝	−⅜
27¾	18¼	AirbFrt .60		3.0	17	77	20⅝	20	20¼	+¼
2¼	⅜	AlMoan .50e				44	½	15-32	15-32	−1-32
10¼	7½	AlaP dpf.87		9.3		173	9½	9⅜	9⅜	−⅛
100½	79¼	AlaP pf9		9.3		z5300	96¾	96¼	96¾	−1½
101¼	67½	AlaP pf8.16		9.1		z100	89½	89½	89½	
90¾	68	AlaP pf8.28		9.6		z300	87	86	86	−1
26⅝	15¼	AlskAir .16		.9	11	760	18½	18	18	
25	8	Albrto s .21		.9	29	28	23¾	23½	23½	
42¾	26⅞	Albtsns .84		2.0	15	275	u43	42⅝	42⅝	+½
34⅝	22¾	Alcan .80		2.5		604	32¼	31⅞	31⅞	−⅛
45¾	32	AlcoStd 1.24		3.0	19	86	42⅝	41⅝	41¾	−¾
40¼	26	AlexAlx 1		2.6		493	39½	38⅞	38⅞	−⅜
47½	22⅞	Alexdr			78	58	40⅞	40	40⅝	−¼
101	75⅞	AligCp 1.54t		1.6	21	31	95¾	95½	95½	
28½	25⅝	AlgCp pf2.86		11.		34	27⅜	27⅛	27⅛	−¼
28¾	16½	AlgInt .35t		1.8		879	19½	18¾	19⅛	+⅜
20¾	15⅝	AlgIn pf2.19		12.		4	18½	18	18¼	+¼
98	78	AlgI pfC11.25		12.		19	90¾	90¼	90½	
41½	28⅛	AlgPw 2.80		6.9	10	690	41	40⅝	40¾	
27¼	14½	AllenGs .56		2.4	15	43	23⅝	23½	23½	−⅛
28¾	27¼	Allen pf1.75		6.1		12	28⅝	28⅝	28⅝	+½
43	16½	AlldPd			11	152	37¾	37⅛	37¾	+¾
49½	38⅛	AldSgnl 1.80b		3.9		4072	45¾	45½	45⅝	
66	58½	AldS pfC6.74		11.		72	62	61⅝	61⅝	+⅛
114⅝	102¾	AldS pfD 12		11.		2	107¼	107¼	107¼	
46⅞	25⅛	AldStr s1.16		2.6	12	1127	45¼	44¾	44¾	−⅛
10⅛	4¾	AlldSup				357	9⅛	8¾	9⅛	+⅛
5¾	3⅛	AllisCh				777	5⅛	5	5	−⅛
[illegible]										

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

17	15	SeaC pfC2.10	13.		3	16¼	16	16	−⅛
50⅝	48½	SeaC pfD4.12	8.1		806	u50¾	50⅝	50¾	+⅜
30¼	18⅛	SeaLnd .48	1.7		23	27¾	27⅜	27½	+⅛
5¼	1⅞	SeaCo			29	2⅝	2½	2⅝	+⅛
64	37⅜	Seagrm 1	1.6	16	1074	61⅜	60¾	61	−⅛
19⅝	12⅝	Seagul			47	14⅜	14⅛	14⅛	−⅛
43¾	24½	SealAir .48	1.1	21	11	42⅛	42⅛	42⅛	−⅛
31¼	23½	SealPw 1	3.5	13	58	28⅝	28⅛	28⅝	+⅜
50⅜	31¾	Sears 1.76	3.6	14	11544	48⅞	48	48¼	
107¼	102½	Sear pf7.46e	7.2		603	103¼	102¾	103	
40¼	24⅞	SecPac1.48	4.0	8	3904	36⅞	35¼	35⅞	−¼

U U U

64¾	45	UAL	1	1.8		2110	57¼	55¾	55¾	−1½
22⅞	11⅜	UCCEL			22	263	22⅛	21¾	22	−¼
40¼	22⅝	UDC n	4	12	9	911	35	34⅛	34⅛	−⅛
28⅛	20	UGI	2.04	7.8		299	26¼	26⅛	26¼	+¼
27	23	UGI pf2.67e		11.		z140	25	25	25	
13¾	9	UNCInc			16	39	12⅛	12⅛	12⅛	
18⅞	10⅝	URS	.45r	2.6		79	17¼	17	17⅛	
46¾	30¼	USFG	2.32	5.9	31	7197	40¾	39⅝	39⅞	−1
85½	36⅛	USG s	1.92	2.4	11	4349	82⅛	79⅛	79¾	−2⅝
43⅞	18	USG wi				9	42	41½	41⅛	−½
29¾	12⅞	UniFrst .20	.7		21	435	29¾	29	29¾	+½

X Y Z

72¼	45¼	Xerox	3	5.1	14	2394	58¾	58⅛	58⅝	+¼
58¼	52¾	Xerox pf5.45		9.8		170	55⅞	55½	55⅞	+⅜
28¾	20⅝	XTRA	.64	2.8		98	23¼	22¾	23	−½
17	13½	Yorkin n				2550	u17¼	16¾	16⅞	+1¼
38	26¼	ZaleCp 1.32		3.5		71	37½	37¼	37¼	−⅛
12⅝	3½	Zapata .03j				895	4¼	4⅛	4⅛	
82	47¾	Zayre	.64	.8	25	713	81½	80¾	81⅛	−⅜
29⅞	16¾	ZenithE				389	26⅞	26¼	26⅝	+⅛
36⅝	17⅞	ZenLbs.10e		.3	21	1059	33½	32⅝	32½	−¼
18¼	8⅝	ZenLb wi				69	16¾	16½	16½	−⅛
22⅝	14	Zero s	.29	1.6	18	146	18⅛	17¾	18⅛	+¼
45¾	32¼	Zurnln 1.32		3.3	14	91	39¾	39½	39½	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, June 6

OVER-THE-COUNTER

Nasdaq national market, closing prices June 6

Continued on Page 35

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's decline to resume

A WEEK seems to be a long time in virtually every market these days but last week's cauldron of contradictions threatened to stretch currency dealings to eternity. It is odd that Mr Paul Volcker, US Federal Reserve board chairman, achieved on Thursday afternoon what he has been warning against for some time now, that is a further dollar decline. He did at the same time warn on the dangers of inflation although this seemed more of a codicil than an attempt to support the dollar.

The US Administration has had little joy from West Germany or Japan in its latest efforts to reduce trade imbalances but both countries have a set timetable to adhere to with local elections in West Germany and a general election in Japan in the first week of July.

In addition West Germany has suffered a return to capital inflows with resulting distortions in money supply and despite its current low level, the West German authorities always show their concern about the possibilities of rising inflation. Taking this together with the D-mark's relative weakness within the European Monetary System, the prospects of cutting interest rates and attempting to boost an already healthy economic growth rate are not likely to be high on the Bundesbank's agenda.

This probably helped Mr Volcker to turn away from his earlier statement that a cut in rates would have to be led by West Germany or Japan. What he has said is relatively blunt. Match your currency to your export performance or we will attempt to redress the imbalance by reducing the dollar's value to the extent that Japanese and West German exporters begin to feel the squeeze. This hardly seems the right scenario for further co-ordination on interest rates and currency movements although it would seem that West Germany, Japan and the US are all reaching for the same thing but choosing different ways of achieving it.

So far the Bundesbank and the Bank of Japan have not given a significant public reaction. There may be a revival of speculation that the two may join forces to provide support for the dollar although beyond a cosmetic exercise this could pose more problems than it would ever solve. As the market saw earlier this year, when everything was put on ice ahead of the French elections, it would be reasonable to suppose that any fireworks from Japan or West Germany would follow the same timetable.

Mr Volcker's words tend to carry more punch than most and this week's comments may have a more lasting effect. Earlier in the week the dollar had been dancing in all directions with activity centred on the latest statement about the dollar. Mr Martin Feldstein, former chairman of the US council of economic advisers, achieved sufficient attention to influence the market when he said that the dollar's fall below current levels would be substantial. Clearly the market should not continue to trade from statement to statement. In spite of what may be said, economic fundamentals ultimately influencing the dollar have not changed and so the dollar's overall trend seems to continue to be in a bearish vein.

£ IN NEW YORK

June 6	Close	Prev. close
£ Spot	$1.5060-1.5070	$1.4985-1.4995
1 month	0.35-0.33pm	0.54-0.52pm
3 months	0.93-0.91pm	0.95-0.92pm
12 months	2.62-2.54pm	2.70-2.56pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

June 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.6	-15.8
U.S. dollar	115.6	+6.6
Canadian dollar	78.0	-18.2
Austrian schilling	136.1	+7.8
Belgian franc	95.4	-7.3
Danish Krone	86.1	-0.8
Deutsche mark	150.0	+14.6
Swiss franc	159.0	+16.9
Guilder	133.1	+9.8
French franc	69.2	-13.3
Lira	46.3	-17.9
Yen	205.3	+50.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

June 6	£	$
Arg'tina	1.2950-1.2970	0.8600-0.8610
Aus'alia	2.1415-2.1450	1.4195-1.4265
Brazil	20.73-20.85	13.77-13.84
Finland	7.7940-7.8040	5.1700-5.1730
Greece	209.67-214.13	138.94-141.85
H'kong	11.7725-11.7765	7.8090-7.8115
Iran	119.25*	80.20*
Kuwait	0.4435-0.4445	0.2940-0.2950
Lux'burg	68.45-68.55	45.55-45.65
Malaysia	3.9430-3.9550	2.6125-2.6175
N'Z'land	2.6815-2.6890	1.7795-1.7840
Saudi Ar.	5.6460-5.6530	3.7505-3.7515
Sin'pore	3.3650-3.3760	2.2310-2.2350
S.Afr.(Cm)	3.7560-3.7700	2.5110-2.5170
S.Afr.(Fn)	6.3430-6.5230	4.2105-4.3255
U.A.E.	5.5325-5.5400	3.6750-3.6800

* Selling rate.

CURRENCY RATES

June 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.775479	0.639865
US $	6½	1.16484	0.962358
Canadian $	8.92	—	1.34816
Austria Sch	4	18.2561	15.1186
Belgian Fr	8	53.0746	43.8931
Danish Kr	7	9.63361	7.95485
D'mark	3½	2.60156	2.14943
Guilder	4½	2.92632	2.41840
French Fr	9½	8.27778	6.84429
Lira	12	N/A	1474.57
Yen	4	196.640	161.988
Norway Kr	8	8.85403	7.33354
Span'h Pta.	—	166.083	137.223
Swedish Kr	8	8.38331	6.92897
Swiss Fr	4	2.14416	1.77334
Greek Drch	20½	163.809	134.682
Irish Punt	—	N/A	0.708397

*CS/SDR rate for June 5 1.61103.

POUND SPOT—FORWARD AGAINST POUND

June 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5015-1.5130	1.5045-1.5055	0.36-0.33c pm	2.75	0.96-0.92 pm	2.50
Canada	2.0893-2.1074	2.1005-2.1015	0.24-0.14c pm	1.09	0.49-0.25 pm	0.63
Nethlnd.	3.78½-3.79	3.77¼-3.77¾	1⅝-1½c pm	3.58	3⅞-3⅝ pm	3.65
Belgium	68.41-68.70	68.45-68.55	18-13c pm	2.72	47-38 pm	2.48
Denmark	12.37½-12.44½	12.37½-12.38½	2⅜-1⅞ore pm	2.13	6¼-5⅞ pm	1.90
Ireland	1.1030-1.1100	1.1062-1.1072	0.05pm-0.05pd dis	—	par-0.15 dis	-0.27
W. Ger.	3.34½-3.34½	3.35-3.36	1½-1⅛pf pm	5.37	4½-4⅛ pm	5.07
Portugal	223.42-228.88	224.84-227.86	95-330c dis	-11.28	230-380 dis	-5.73
Spain	214.22-215.25	214.22-214.58	60-80c dis	-3.36	100-280 dis	-3.54
Italy	2297-2309½	2297¾-2298½	1-5lire dis	-1.57	7-14 dis	-1.83
Norway	11.42-22.46½	11.42-11.43	3⅞-4⅝ore dis	-4.46	13¾-13⅞dis	-4.73
France	10.66½-10.72½	10.67¼-10.68¼	2⅜-1⅝c pm	-2.32	6⅜-5⅝ dis	-2.26
Sweden	10.80-10.85¼	10.80-10.81	⅛pm-⅛ore dis	-0.28	⅛-⅜ dis	-0.16
Japan	251½-253½	251½-252½	1¼-1y pm	5.35	3½-3y pm	5.05
Austria	23.56-23.66	23.56-23.60	10-8⅞gro pm	4.73	27½-24½ pm	4.41
Switz.	2.78-2.77¾	2.76⅝-2.77⅛	1½-1c pm	4.87	3½-3¼ pm	4.87

Belgian rate is for convertible francs. Financial franc 68.70-68.80. Six-month forward dollar 1.67-1.62c pm. 12-month 2.65-2.55c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5015-1.5130	1.5045-1.5055	0.36-0.33c pm	2.75	0.96-0.92 pm	2.50
Ireland†	1.3585-1.3650	1.3630-1.3640	0.35-0.20c pm	2.43	0.90-0.65 pm	2.28
Canada	1.3825-1.3872	1.3860-1.3870	0.18-0.21c dis	-1.88	0.63-0.68dis	-1.88
Nethlnd.	2.4980-2.5195	2.5045-2.5055	0.17-0.14c pm	0.74	0.74-0.69 pm	1.14
Belgium	45.40-45.65	45.45-45.55	1 pm-1c dis	—	2 pm-2 dis	—
Denmark	8.22½-8.27½	8.22½-8.23½	0.10-0.60ore dis	-0.51	1.00-1.50dis	-0.60
W. Ger.	2.2210-2.2370	2.2280-2.2290	0.50-0.47pf pm	2.60	1.00-1.50 pm	2.52
Portugal	149.80-150.80	150.00-150.30	150-200c dis	-14.00	275-675dis	-12.67
Spain	141.95-142.70	142.25-142.35	90-75c dis	-7.78	185-165dis	-4.77
Italy	1522½-1530	1526½-1527½	4½-7 lire dis	-4.41	15-18½ dis	-4.39
Norway	7.68¾-7.61¾	7.59-7.59½	4.40-4.65ore dis	-7.14	13.65-13.90d	-7.24
France	7.07½-7.12¼	7.08¾-7.09¾	0.15-0.30c dis	-0.37	0.40-0.60ds	-0.28
Sweden	7.17-7.21	7.17¼-7.81¼	1.65-1.75ore dis	-2.83	4.70-4.90ds	-2.66
Japan	167.20-168.70	167.60-167.70	0.37-0.32y pm	2.46	1.07-1.02 pm	2.48
Austria	15.61-15.71	15.64½-15.65	3.00-2.40gro pm	2.06	6.25-6.25	1.86
Switz.	1.8290-1.8450	1.8385-1.8395	0.33-0.28c pm	1.98	1.10-1.00 pm	2.28

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.65-45.75. Correction for June 5. Swiss franc days spread 1.8435-1.8685

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.5050	1.5016	1.4956	1.4886	1.4790
D-Mark	3.3550	3.3400	3.3145	3.2775	3.2144
French Franc	10.6775	10.6569	10.6183	10.5752	10.5182
Swiss Franc	2.7675	2.7566	2.7345	2.7041	2.6475
Japanese Yen	252.25	251.15	249.10	246.50	242.20

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43 6761	43.8931	+0.50	+0.63	±1.5388
Danish Krone	7.91896	7.95485	+0.45	+0.58	±1.6408
German D-mark	2.13834	2.14943	+0.52	+0.65	±1.1202
French Franc	6.96280	6.84429	-1.70	-1.57	±1.3701
Dutch Guilder	2.40935	2.41840	+0.38	+0.51	±1.5081
Irish Punt	0.712956	0.708397	-0.64	-0.51	±1.6689
Italian Lira	1496.21	1474.57	-1.45	-1.32	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

June 6	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10⅜-10⅝	10¼-10½	9{13/16}-9{15/16}	9{9/16}-9{11/16}	9{7/16}-9{9/16}	9⅜-9½
U.S. Dollar	6{13/16}-7{1/16}	6{15/16}-7{1/16}	6{13/16}-7{1/16}	7-7⅛	7-7⅛	—
Can Dollar	8-8½	8-8½	8{7/16}-8{11/16}	8{11/16}-8{15/16}	8{13/16}-9{1/16}	8{15/16}-9{3/16}
D Guilder	5⅞-6⅛	5⅞-6⅛	6⅛-6¼	5{15/16}-6{1/16}	5⅝-5¾	5⅝-5⅝
Sw. Franc	2-2¼	2⅜-2⅝	4⅞-5	4¾-4⅞	4{1/16}-4{3/16}	4⅜-4¾
Deutschmrk	4¼-4⅜	4{5/16}-4{7/16}	4{5/16}-4{7/16}	4½-4⅝	4½-4⅝	4{11/16}-4{13/16}
Fr. Franc	7¼-7⅜	7¼-7⅜	7{7/16}-7{9/16}	7⅝-7½	7{7/16}-7{9/16}	7⅝-7¾
Italian Lire	9-11	11½-12½	10½-12¼	11¼ 11¾	11¼-11⅝	11¼-11¾
B.Fr.(Fin)	7¼-7½	7¼-7½	7¼-7½	7¼-7½	7¼-7½	7¼-7½
B.Fr.(Con)	6⅞-7⅛	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝	7¼-7⅝
Yen	4{5/16}-4⅝	4{7/16}-4⅜	4{11/16}-4{13/16}	4{11/16}-4¾	4⅝-4¾	4{11/16}-4{13/16}
D. Krone	8¼-8¾	8⅛ 8⅝	8⅛-8⅝	8-8½	8-8½	8⅛-8⅝
Asian $ (Sng)	7-7⅛	7{1/16}-7{3/16}	7{1/16}-7{3/16}	7{1/16}-7{3/16}	7⅛-7¼	7⅝-7⅛

Long-term Eurodollars: two years 7⅞-8⅛ per cent; three years 8⅜-8⅝ per cent; four years 8½-8¾ per cent; five years 8¾-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

Base rates in the melting pot

UK clearing bank base lending rate 10 per cent since May 22

THE BANK OF ENGLAND'S money market operations on Friday provided a lively subject for debate at the end of a week dominated otherwise by guessing the timing of the next base rate cut. The Bank's decision to lend seven day money at 10⅞ per cent was described by one dealer as "a non signal." This is probably true but only if its actions were ever designed to have a message in the first place.

With the market already in overdrive about the next base rate cut, the authorities had little need to be accommodating or to give a nod or wink, so that when *discount houses* were reluctant to play ball on Friday morning, preferring to hold on to their longer dated paper in the hope of increasing the return on a base rate cut, the Bank may have found its options severely limited. Had it wanted to delay a cut in rates then a higher rate of interest would have been charged. At the same time a friendly £600m over the weekend was likely to serve little purpose.

Interbank rates have been discounting a cut all week and were no higher after Friday's method of help. This week sees money supply tomorrow and retail prices on Friday. It should also see a return to single figure base rates.

NEW YORK

(4 pm)

Prime rate	8½
Broker loan rate	7¾
Fed funds	6{11/16}
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.23
Two month	6.47
Three month	6.51
Six month	6.65
One year	6.84
Two year	7.28
Three year	7.60
Four year	7.87
Five year	7.87
Seven year	7.85
10 year	7.95
30 year	7.67

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 6	change		June 6	change
LONDON			**NEW YORK**		
Base rates	10	Unch'd	Prime rates	8½	Unch'd
7 day interbank	10½	+{1/16}	Federal funds	6{11/16}	+{1/16}
3mth interbank	9{5/16}	-¼	3 Mth. Treasury Bills	6.55	-0.27
Treasury Bill Tender	9.1142	-0.3718	6 Mth. Treasury Bills	6.72	+0.35
Band 1 Bills	9{7/16}	Unch'd	3 Mth. C D	6.85	+0.25
Band 2 Bills	9{11/16}	Unch'd			
Band 3 Bills	9¾	Unch'd	**FRANKFURT**		
Band 4 Bills	9{11/16}	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	9{7/16}	-{1/16}	One mth. Interbank	4.40	-0.20
1 Mth. Bank Bills	9¾	-{1/16}	Three month	4.575	Unch'd
3 Mth. Bank Bills	9{7/16}	-{1/16}			
			PARIS		
TOKYO			Intervention Rate	7¼	Unch'd
One month Bills	4.59375	-0.125	One mth. Interbank	7⅜	+{1/16}
Three month Bills	4.65625	Unch'd	Three month	7{7/16}	+{1/16}
BRUSSELS			**MILAN**		
One month	7{7/16}	-{1/16}	One month	12{5/16}	Unch'd
Three month	7{7/16}	-{1/16}	Three month	12	+{1/16}
AMSTERDAM			**DUBLIN**		
One month	6{5/16}	-⅛	One month	9⅝	-{11/16}
Three month	6{5/16}	Unch'd	Three month	9⅝	-{11/16}

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

June 6	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.35-4.45	4.45-4.55	4.50-4.65	4.50-4.65	4.55-4.70	5.5
Paris	7¼	7{5/16}-7{7/16}	7{5/16}-7{7/16}	7⅜-7½	7½-7⅝	7¼
Zurich	7⅛-1⅛	4¾-4⅞	—	4¾-4⅞	—	—
Amsterdam	6{5/16}-6⅜	6¼-6{7/16}	—	5{13/16}-6{1/16}	—	—
Tokyo	4.40625	4.59375	—	4.65625	—	—
Milan	12-12⅛	12⅛-12½	—	11¾-12¼	—	—
Brussels	7.30	7¼-7⅜	—	7⅛-7⅜	—	—
Dublin	9-9¼	9½-9¾	9½-9¾	9½-9¾	9½-9¾	—

BANK OF ENGLAND TREASURY BILL TENDER

	June 6	May 30		June 6	May 30
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.1260%	9.3455%
Total of applications	£487m	£552m	Average rate of discount	9.1142%	9.3400%
Total allocated	£100m	£100m	Average yield	9.33%	9.57%
Minimum accepted bid	£97.725	£97.670	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	65%	67%			

FT LONDON INTERBANK FIXING

(11.00 a.m. June 6)

Three months US dollars		Six months US dollars	
bid 7 {1/16}	Offer 7 {3/16}	bid 7 ⅛	Offer 7 ¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 6	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9½ 12	10⅛-10⅜	9⅞-10	9{9/16}-9{11/16}	9{7/16}-9{9/16}	9⅜-9{7/16}
Sterling CDs	—	—	9⅝-9⅞	9{7/16}-9{9/16}	9¼-9⅜	9{5/16}-9{7/16}
LocalAuthorityDepos	10¼-10½	10-10⅜	9⅞	9½-9⅞	9{7/16}	9{7/16}
Local Author'y Bonds	—	—	10⅛	10⅛	9⅞	9{7/16}
Discount Mkt Depos.	10¼-10¾	10¼-10⅜	9¾	9⅛	—	—
Company Depos	10⅛-10¾	10⅝	10-10⅛	9{11/16}	9⅝	—
Finance House Depos	—	—	9{13/16}	9⅝	9{9/16}	9{9/16}
Treasury Bills (Buy)	—	—	9{11/16}	9{7/16}	—	—
Bank Bills (Buy)	—	—	9¾	9{7/16}	9{11/32}	—
Fine Trade Bills (Buy)	—	—	10⅜	9{13/16}	9⅝	—
Dollar CDs	—	—	6.85-6.90	6.9-6.95	6.9-6.95	7.10-7.15
SDR Linked Depos	—	—	6⅜-6⅝	6⅜-6⅝	6{7/16}-6{9/16}	6{7/16}-6{11/16}
ECU Depos	—	—	7{5/16}-7{7/16}	7¼-7⅜	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one-month 9{5/16} per cent; three months 9{5/16} per cent. Bank Bills (sell): one-month 9⅝ per cent; three months 9{11/32} per cent. Treasury Bills: Average tender rate at discount 9.1142 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rate for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from June 5. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	8.45	—	—	—	0.15	—	—	—
118	6.61	7.29	—	—	0.31	1.09	—	—
120	5.22	6.00	—	—	0.56	1.44	—	—
122	3.61	4.47	—	—	1.31	2.27	—	—
124	2.50	3.41	—	—	2.20	3.21	—	—
126	1.56	2.47	—	—	3.26	4.27	—	—
128	1.12	1.64	—	—	4.46	5.44	—	—
130	0.46	1.27	—	—	6.16	7.07	—	—

Estimated volume total, Calls 880, Puts 99
Previous day's open int. Calls 5,522, Puts 2,578

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
86	7.38	7.60	—	—	0.56	1.60	—	—
88	6.06	6.40	—	—	1.24	2.40	—	—
90	4.49	5.29	—	—	2.03	3.29	—	—
92	3.41	4.28	—	—	2.59	4.28	—	—
94	2.45	3.35	—	—	3.2	5.35	—	—
96	1.61	2.52	—	—	5.15	6.52	—	—
98	1.23	2.12	—	—	6.41	8.12	—	—
100	0.60	1.44	—	—	8.14	9.44	—	—
102	0.40	—	—	—	9.58	—	—	—

Estimated volume Total, Calls 92, Puts 24
Previous day's open int. Calls 820, Puts 320

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	20.85	—	—	20.85	0.00	—	—	0.10
1.35	15.85	15.85	15.85	15.85	0.00	0.02	0.16	0.36
1.40	10.85	10.85	10.86	10.86	0.00	0.15	0.59	1.00
1.45	5.85	6.23	6.79	7.17	0.04	0.76	1.65	2.29
1.50	1.67	2.94	3.80	4.31	0.93	2.47	3.66	4.43
1.55	0.14	1.05	1.84	2.34	4.40	5.58	.670	7.47
1.60	0.00	0.28	0.77	1.15	9.26	9.81	10.63	11.27

Estimated volume total, Calls 660, Puts 219
Previous day's open int. Calls 3,976, Puts 5,709

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	24.80	—	—	24.80	0.15	—	—	0.25
1.35	14.00	—	—	19.80	0.20	—	—	0.50
1.40	9.00	12.40	0.00	10.00	0.20	0.70	0.00	1.40
1.45	5.90	6.30	6.90	7.40	0.20	0.90	1.90	2.50
1.50	1.60	3.00	3.80	4.40	1.15	2.65	3.90	4.60
1.55	0.20	1.15	1.95	2.45	4.90	5.80	6.95	7.65
1.60	0.10	0.40	0.85	1.30	9.75	10.00	10.90	11.50

Previous day's open int. Calls 5,220, Puts 4,386
Volume, 100

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	20.30	—	—	20.30	—	—	—	0.10
1.35	15.30	15.30	—	15.30	—	0.06	—	0.35
1.40	10.30	10.50	—	10.80	—	0.15	—	1.00
1.45	5.80	6.00	6.50	7.00	0.05	0.70	1.70	2.30
1.50	1.45	2.65	3.50	4.00	0.65	2.15	3.50	4.60
1.55	0.10	0.85	1.70	2.20	4.20	5.30	6.40	7.20
1.60	—	0.20	0.65	1.05	18.90	9.30	10.20	10.80

Previous day's open int. Calls 41,198, Puts 44,453
Previous day's volume, Calls 175, Puts 1,338

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
91.00	1.95	1.94	—	—	0.00	0.01	—	—
91.50	1.45	1.36	1.31	—	0.00	0.02	0.14	—
92.00	0.95	0.90	0.92	—	0.00	0.07	0.25	—
92.50	0.45	0.51	0.59	—	0.00	0.18	0.42	—
93.00	0.06	0.23	0.33	—	0.11	0.40	0.66	—
93.50	0.00	0.08	0.16	—	0.55	0.75	0.89	—
94.00	0.00	0.02	0.06	—	1.05	1.19	1.39	—

Previous day's open int. Calls 4,050, Puts 3,252
Volume, 5

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

	Close	High	Low	Prev
June	124-05	124-05	123-18	129-08
Sept	124-15	124-16	123-18	123-15
Dec	124-10	—	—	123-10
March	124-10	—	—	123-10

Est. Volume 7,236 (7,920)
Previous day's open int. 18,926 (18,612)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT

£100,000 64ths of 100%

	Close	High	Low	Prev
June	102-63	103-10	103-00	102-60
Sept	103-03	103-03	102-61	103-00

Est. Volume 454 (89)
Previous day's open int. 1,169 (1,148)

THREE-MONTH STERLING £500,000

points of 100%

	Latest	High	Low	Prev
June	90.43	90.47	90.38	90.36
Sept	91.07	91.08	91.00	90.96
Dec	91.16	91.17	91.10	91.07
March	91.11	91.12	91.05	91.03
June	90.95	90.98	90.98	90.94

Est. Volume 484 (3,201)
Previous day's open int. 17,938 (18,433)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	162.95	163.20	162.20	162.70
Sept	165.35	165.10	164.60	164.85
Dec	167.87	—	—	167.40

Est. Volume 493 (539)
Previous day's open int. 2,369 (2,243)

THREE-MONTH EURODOLLAR

$1m points of 100%

	Close	High	Low	Prev
June	92.95	92.95	92.89	92.87
Sept	92.83	92.86	92.71	92.70
Dec	92.67	92.69	92.55	92.52
March	92.43	92.45	92.31	92.27
June	92.09	—	—	91.85
Sept	91.80	—	—	91.66
Dec	—	—	—	91.40

Est. Volume 5,050 (6,245)
Previous day's open int. 22,034 (21,673)

US TREASURY BONDS 8% $100,000

32nds of 100%

	Close	High	Low	Prev
June	93-10	93-19	92-16	91-31
Sept	92-23	93-05	91-16	91-14
Dec	92-00	—	—	90-23

Est. Volume 7,988 (6,121)
Previous day's open int. 5,038 (4,971)

CHICAGO

US TREASURY BILLS (IMM)

$1m points of 100%

	Close	High	Low	Prev
Sept	93.81	93.29	93.63	93.60
Dec	93.82	93.83	93.54	93.50
March	93.64	93.64	93.34	93.30
June	93.36	93.36	93.20	93.03
Sept	93.07	93.07	92.90	92.75
Dec	92.80	92.77	92.67	92.49
March	92.52	92.52	92.43	92.24

CERT. DEPOSIT (IMM)

$1m points of 100%

	Close	High	Low	Prev
June	93.30	93.30	93.27	93.16
Sept	93.20	93.22	93.22	92.98
Dec	92.97	—	—	92.79
March	—	—	—	93.14

US TREASURY BONDS (CBT)

8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	94-27	95-00	93-09	92-11
Sept	93-18	93-18	92-16	91-18
Dec	92-25	92-25	91-22	90-25
March	92-01	92-01	91-02	90-01
June	91-10	91-10	90-15	89-10
Sept	90-21	90-21	89-28	88-21
Dec	90-02	90-02	89-09	88-02
March	89-17	89-17	88-24	87-17
June	89-01	—	—	87-01
Sept	—	—	—	—
Dec	88-07	—	—	86-07

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Close	High	Low	Prev
June	93.02	93.02	92.89	92.87
Sept	92.92	92.93	92.72	92.68
Dec	92.77	92.2	92.528	92.49
March	92.52	92.52	92.28	92.23
June	92.21	92.23	92.00	91.90
Sept	91.90	91.89	91.67	91.59
Dec	91.61	91.59	91.46	91.30
March	91.34	91.32	91.18	91.03

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5050	1.5016	1.4956	1.4886	1.4790

IMM — STERLING $s per £

	Close	High	Low	Prev
June	1.5070	1.5110	1.5010	1.4986
Sept	1.4980	1.5030	1.4915	1.4895
Dec	1.4900	1.4950	1.4860	1.4815
March	1.4815	1.4945	—	1.4730

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5074	1.5080	1.5080	1.4877
Sept	1.4988	1.4980	1.4980	1.4788
Dec	1.4918	—	—	1.4721

Est. Volume 3 (830)
Previous day's open int. 1,788 (2,043)

EXCHANGE CROSS RATES

Jun. 6	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.505	3.355	252.2	10.68	2.768	3.770	2298	2.101	68.50
$	0.664	1.	2.229	167.7	7.095	1.839	2.505	1527.	1.396	45.50
DM	0.298	0.449	1.	75.19	3.183	0.825	1.124	684.9	0.626	20.43
YEN	3.964	5.966	13.30	1000	42.33	10.97	14.95	9110.	8.329	271.6
F Fr.	0.937	1.410	3.142	236.3	10.	2.593	3.531	2152	1.968	64.15
S Fr.	0.361	0.544	1.213	91.15	3.858	1.	1.363	830.4	0.757	24.75
H Fl.	0.265	0.399	0.890	66.91	2.832	0.734	1.	609.5	0.557	18.17
Lira	0.435	0.656	1.460	109.8	4.646	1.204	1.641	1000.	0.914	29.81
C $	0.476	0.716	1.597	120.1	5.083	1.317	1.794	1094.	1.	32.60
B Fr.	1.460	2.197	4.898	368.2	15.59	4.040	5.504	3355.	3.067	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.